

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of
the Continued Membership
of
Columbus Advisory Group, LTD.
(CRD No. 126331)

Notice Pursuant to
Rule 19h-1 of the
Securities Exchange Act
of 1934

SD-2278

Date: October 8, 2020

I. Introduction

On August 19, 2020, Columbus Advisory Group, LTD. (“CAG” or “the Firm”) submitted a Membership Continuance Application (“MC-400A” or “Application”) to FINRA’s Department of Registration and Disclosure (“RAD”).¹ The Application seeks to permit the Firm to continue in membership with FINRA, notwithstanding its statutory disqualification. A hearing was not held in this matter. Rather, pursuant to FINRA Procedural Rule 9523(b), FINRA’s Department of Member Regulation (“Member Regulation” or “Department”) approves the Firm’s Application and is filing this Notice pursuant to Rule 19h-1 of the Securities Exchange Act of 1934 (“Exchange Act” or “SEA”).

II. The Statutorily Disqualifying Event

The Firm is subject to statutory disqualification, as that term is defined in Section 3(a)(39)(E) of the Exchange Act, as a result of its continued association with Michael Patrick Murphy (“Murphy”) (CRD No. 2596905), a statutorily disqualified control person of the Firm.² Murphy is subject to disqualification pursuant to SEA §3(a)(39)(A) as a result of a Hearing Panel Decision issued by FINRA’s Office of Hearing Officers (“OHO”) on May 27, 2020 (“Decision”) that suspended Murphy from associating with any FINRA member in any capacity for a period of six (6) months.³ OHO found that Murphy willfully failed to amend his Uniform Application for Securities Industry Registration or Transfer (Form U4) to disclose federal and state tax liens/warrants in violation of Article V, Section

¹ See the MC-400A and related exhibits compiled by RAD, n/k/a Credentialing, Registration, Education and Disclosure (“CRED”) with a cover memorandum dated September 2, 2020, attached as Exhibit 1.

² See Firm CRD Excerpt – Owners, attached as Exhibit 2. Murphy has a 75% or more ownership interest in the Firm.

³ See Decision, *Dep’t of Enforcement v. Michael Murphy*, No. 2017053843901 (May 27, 2020), attached as Exhibit 3.

2(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010.⁴ In addition to his suspension, Murphy was fined \$20,000. His suspension began on July 20, 2020 and will elapse on January 19, 2021. The Firm is seeking to continue as a FINRA member, notwithstanding Murphy's continued association as the majority owner of the Firm, during his period of suspension.

III. **Background Information About the Firm**

A. Location of the Firm & Its Business Activities

CAG is based in New York, New York and has been a FINRA member since September 2003.⁵ According to FINRA records, the Firm has one Office of Supervisory Jurisdiction, one branch office, employs four registered principals, two registered representatives and does not employ any statutorily disqualified persons apart from Murphy. The Firm engages in the following business: broker or dealer retailing corporate equity securities over-the-counter; broker or dealer selling corporate debt securities; underwriter or selling group participant (corporate securities other than mutual funds); mutual fund retailer; U.S. government securities broker; municipal securities broker; put and call broker or dealer or option writer; and private placements of securities.⁶ The Firm is also a member of the Municipal Securities Rulemaking Board.

B. Examination History

In the past two years, FINRA completed one routine and two non-routine examinations of the Firm. The SEC also completed an examination, identifying several deficiencies.

1. *FINRA Routine Examination*

CAG was issued a Cautionary Action for the three exceptions noted on the examination completed on December 6, 2018.⁷ FINRA found, among other things, that the Firm operated outside its membership agreement by engaging in proprietary trading; failed to maintain its minimum net capital requirement ("MNCR") and failed to file early warning notifications with FINRA when it fell below 120% of its MNCR; failed to establish and enforce adequate supervisory procedures related to trade corrections; and failed to adequately review and maintain business related electronic communications.⁸

⁴ *Id.*

⁵ *See* CRD Snapshot for the Firm at p.3, attached as Exhibit 4.

⁶ *See* Excerpt from Firm CRD – Types of Business, attached as Exhibit 5.

⁷ *See* Examination Disposition Letter dated December 6, 2018 for Examination No. 20180564604 dated October 31, 2018 and the Firm's response dated November 30, 2018, attached as Exhibit 6.

⁸ *Id.* at pp. 5-7.

2. *FINRA Non-Routine Examinations*

The Firm was issued a Cautionary Action for the two non-routine examinations.⁹ These examinations focused on the Firm's failure to implement policies and procedures that were reasonably designed to achieve compliance with FINRA Rule 5310,¹⁰ specifically with Supplementary Material .06.¹¹ Additionally, the Firm Failed to maintain accurate books and records as required by GAAP and maintain its MNCR for several periods between May 2015 and September 2016.¹²

3. *SEC Examination*

The SEC examination of the Firm completed on August 31, 2020 identified failures to establish, maintain or enforce adequate written supervisory procedures in connection the supervision of private securities transactions, outside business activities attestations, and electronic communications.¹³ In addition, the Firm failed to amend its procedures to properly reflect changes to applicable securities rules and regulations.¹⁴

C. The Firm's Disciplinary History

The Firm has not been the subject of any formal regulatory action in the past two years.

IV. **The Firm's Proposed Continued Membership with FINRA and Proposed Supervisory Plan**

Considering Michael Patrick Murphy's ("Murphy") suspension, which is in effect until January 19, 2021, and in accordance with FINRA Rule 9523(b), Michael McNulty, the Firm's Chief Compliance Officer and Interim Chief Executive Officer will implement the following plan of supervision (the "Supervisory Plan"),¹⁵ agreed to by the Firm:

1. The Firm is prohibited from allowing Murphy to access or utilize any Firm systems/platforms during the period of his suspension. These systems/platforms

⁹ See Disposition Letters and Firm Responses thereto for Cause Examinations Nos.: 20170541912 dated January 11, 2019 and 20170550857 dated October 10, 2018, collectively attached as Exhibit 7.

¹⁰ This rule requires, in part, that "a member and persons associated with a member shall use reasonable diligence to ascertain the best market for the subject security and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions."

¹¹ Supplementary Material .06, requires in part, that "each member must have written policies and procedures in place that address how the member will determine the best inter-dealer market for such a security in the absence of pricing information or multiple quotations and must document its compliance with those policies and procedures."

¹² See Exhibit 7.

¹³ See SEC Examination of Columbus Advisory Group, LTD, SEC File No. 8-65875 dated August 31, 2020, attached as Exhibit 8. The Firm's response to this examination is due to the Commission on October 30, 2020.

¹⁴ *Id.*

¹⁵ See executed Supervisory Plan, attached as Exhibit 9.

- include all electronic mail systems, social media platforms, trading platforms, and compliance/surveillance systems;
2. The Firm will suspend Murphy's remote access to all Firm electronic systems/platforms during the period of his suspension;
 3. The Firm is prohibited from allowing Murphy to access any incoming/outgoing e-mails addressed to/from Murphy's Firm email address or any hard-copy written correspondence directed to Murphy at the Firm's address during his period of suspension;
 4. Once per week, the Firm will conduct a review of all any incoming/outgoing e-mails addressed to/from Murphy's Firm email address and hard-copy written correspondence to confirm Murphy has not had any contact with customers or engaged in securities business in violation of his suspension. Documentation of each review will be kept segregated for ease of review during any FINRA examination;
 5. The Firm is prohibited from using Murphy as its executive representative as that term is defined under FINRA By-Laws, Article IV, Sec. 3, during the period of his suspension;
 6. For the duration of his suspension, the Firm will remove references of, or to, Murphy from its website, social media platforms, and communications;
 7. During the period of his suspension, the Firm will prohibit Murphy from the following activities:
 - (a) being a signatory on the Firm's bank accounts; the Firm's annual corporate documents, or any other organizational documents;
 - (b) from using the Firm's debit and/or credit cards;
 - (c) from acting in any capacity, either formally or informally; and
 - (d) from attending any corporate meetings.
 8. Murphy will surrender his Key Card to the all Firm premises and the Firm will not permit Murphy to have access to CAG's offices, records locations, employees or its customers during his period of suspension;
 9. Murphy will surrender to the Firm, all Firm-provided electronic devices (i.e. laptop, tablet, cell phone) that are used solely for business purposes during his period of suspension;
 10. The Firm is prohibited from allowing Murphy to conduct or supervise any securities or investment banking business at the Firm, either formally or informally, during his period of suspension;
 11. The Firm is prohibited from allowing Murphy access to Firm books and records

during his period of suspension;

12. Once per week, the Firm will perform an electronic sweep of all the Firm's systems to ensure that Murphy has not accessed or attempted to access any of the Firm's systems during his suspension. Documentation of each sweep will be kept segregated for ease of review during any FINRA examination; and
13. Once Murphy's suspension has elapsed, CAG will certify, in writing, that Murphy's activities were monitored appropriately and in accordance with the Supervisory Plan. Copies of these certifications will be maintained and kept segregated for ease of review during any FINRA examination.
14. The Firm must obtain prior approval from Member Regulation to change any provisions of this plan. The Firm will submit any proposed changes or other requested information under this Plan to FINRA's Statutory Disqualification Group at SDMailbox@finra.org

V. Discussion

After carefully reviewing the records in this matter, FINRA approves the Firm's request to continue its membership with FINRA, subject to the terms and conditions set forth herein. In evaluating applications like these, FINRA assesses whether the statutorily disqualified firm seeking to continue its membership with FINRA has demonstrated that its continued membership is consistent with the public interest and does not create an unreasonable risk of harm to the market or investors. *See Frank Kufrovich*, 55 SEC. 616, 624 (2002) (holding that FINRA "may deny an application by a firm for association with a statutorily-disqualified individual if it determines that employment under the proposed plan would not be consistent with the public interest and the protection of investors"). Typically, factors that bear on our assessment include the nature and gravity of the statutorily disqualifying misconduct, the time elapsed since its occurrence, the restrictions imposed, and whether there has been any intervening misconduct.

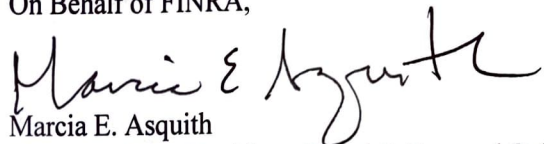
As of the date of this Notice, FINRA has determined that CAG's continued membership is consistent with the public interest and does not create an unreasonable risk of harm. The Firm is subject to disqualification solely based on its owner's current suspension, which will elapse on January 19, 2021. The Department recognizes the gravity of Murphy's misconduct underlying his current suspension. However, Murphy's disqualification prohibits him from being involved in any of the Firm's business lines and its operations, until his suspension has elapsed. This, along with the stringent plan of supervision that prohibits Murphy's involvement in any of the Firm's business activities, systems and financial records and cuts off his physical access to the Firm's premises, its employees and customers, mitigates any potential threat to the investing public. FINRA intends to utilize its examination and surveillance processes to monitor the Firm's continued compliance with the Supervisory Plan in accordance with Exchange Act Rule 19h-1 and FINRA Rule 9523. FINRA finds that these facts, in addition to a review of the Firm's regulatory history, including recent examinations, militates in favor of approving the Firm's continued membership in FINRA.

Thus, FINRA is satisfied, based on the Firm's representations made pursuant to the Supervisory Plan that the Firm's continued membership in FINRA does not create an unreasonable risk of harm to the market or investors. Accordingly, FINRA approves CAG's Application to continue its membership in FINRA.

FINRA states that, to its knowledge CAG meets all qualification requirements for its proposed continued membership, the Firm is not a member of any other self-regulatory organization, and, other than Murphy, the Firm does not employ any other statutorily disqualified individuals.

In conformity with the provisions of Exchange Act Rule 19h-1, the continued membership of the Firm will become effective within 30 days of the receipt of this notice by the Commission, unless otherwise notified by the Commission.

On Behalf of FINRA,

A handwritten signature in black ink, appearing to read "Marcia E. Asquith". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Marcia E. Asquith

Executive Vice President, Board & External Relations

Exhibits
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1. MC-400A and related exhibits compiled by RAD, n/k/a Credentialing, Registration, Education and Disclosure (“CRED”) with a cover memorandum dated September 2, 2020
2. Firm CRD Excerpt – Owners
3. Decision, *Dep’t of Enforcement v. Michael Murphy*, No. 2017053843901 (May 27, 2020)
4. CRD Snapshot for the Firm
5. Excerpt from Firm CRD – Types of Business
6. Examination Disposition Letter dated December 6, 2018 for Examination No. 20180564604 dated October 31, 2018 and the Firm’s response dated November 30, 2018
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8. SEC Examination of Columbus Advisory Group, LTD, SEC File No. 8-65875 dated August 31, 2020
9. Executed Supervisory Plan