FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080117193-01

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

RE: Santander Securities Corporation
(BD No. 41791)

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Santander Securities Corporation ("Santander Securities" or "Respondent") 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 it is accepted, FINRA will not bring any future actions against the Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

A. Respondent 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 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

Santander Securities has been a FINRA member since 1996. Santander Securities is a full service broker-dealer and is an affiliate of Banco Santander Puerto Rico. The firm's main office is located in Guaynabo, Puerto Rico. From September 2007 through September 2008, the Review Period, the firm employed approximately 90 registered representatives. Santander has no relevant disciplinary history with FINRA, the Securities and Exchange Commission, or any other securities regulator or any state securities regulator.

OVERVIEW

During the Review Period, Santander Securities had a deficient supervisory system and inadequate written supervisory procedures for supervising the sale of structured products, including reverse convertible securities, to retail customers. The firm provided minimal suitability guidance regarding structured products to its sales force and supervisors. The firm did not have effective procedures in place to monitor customer accounts for potentially unsuitable purchases of structured products and had no suitability policies governing product concentration. As a result, the firm failed to detect certain accounts with concentrated positions in risky products. This lack of adequate systems and procedures led to unsuitable recommendations in structured products and resulted in significant losses by clients.

The firm also failed to have adequate supervisory policies and procedures in place to monitor its brokers' securities recommendations in customers' pledge collateral accounts, using funds borrowed through the loan program offered by its affiliate bank. Some brokers recommended that customers use funds borrowed through this program to purchase reverse convertibles, substantially increasing the clients' exposures to risk and, in many instances, increasing losses. In addition to the lack of supervision of the holdings in these accounts, Santander Securities had no means to monitor the loan-to-value assigned to the securities in these accounts.

These failures by the firm led to significant losses by customers. In the face of those losses, the firm reviewed selected accounts and customer complaints about reverse convertibles and made restitution of over $6.9 million to customers.

In connection with structured products issued by mutual funds managed by the firm's investment adviser-subsidiary, the firm failed to provide customers with offering documents prior to the customers' investments. The firm also frequently failed to obtain representation letters from customers concerning residency or assets. In three instances, the firm created and distributed offering documents that had material inaccuracies concerning the issuer.

The firm participated in various public offerings of structured products in which no filings had been made with FINRA, in violation of FINRA's corporate financing rules. Further, the firm failed to comply with the specific corporate financing rules related to conflicts of interest in offerings of an affiliate's securities.

Finally, the firm included impermissible confidentiality language in certain settlement agreements with customers who had purchased reverse convertibles and filed inaccurate information relating to broker contributions on those settlement agreements.

FACTS AND VIOLATIVE CONDUCT

Structured products are debt securities derived from or based on a single security, a basket of securities, an index, a commodity, a debt issuance and/or a foreign currency. Structured products typically have two components—a note and a derivative (often an option). There are many types of structured products. Some structured products offer full protection of the principal invested, whereas others offer limited or no principal protection. Many structured products pay an interest or coupon rate substantially above the prevailing market rate. Structured products also frequently cap or limit the upside participation in the reference asset, particularly if some principal protection is offered or if the security pays an above-market rate of interest.

Reverse convertibles, which are a type of structured product, are interest bearing notes in which principal repayment is linked to the performance of a reference asset, often a stock, a basket of stock or an index. The reference asset is generally unrelated to the issuer of the note. At maturity if the value of the reference asset has fallen below a certain level, the investor may receive less than a full return of principal. The diminished principal repayment could be in the form of shares of stock put to the investor or their cash equivalent. Reverse convertibles expose investors not only to the risks traditionally associated with fixed income products, such as issuer risk, but also to the risks of a decline in value in the underlying reference asset, which can lead to loss of principal. Reverse convertibles tend to have limited liquidity and complex pay-out structures that can make it difficult for registered representatives and their customers to accurately assess their risks, costs, and potential benefits.

Regulatory Guidance

In September 2005, in response to increased retail sales of structured products, FINRA issued regulatory guidance. FINRA[1] issued Notice to Members 05-59 as a result of concerns that broker-dealers were deficient in fulfilling sales practice obligations when selling structured products, particularly to retail customers. The Notice advised that some structured products present risks similar to that of options and that firms should develop procedures to ensure that the structured products sold to investors matched those investors' appetite for risk. FINRA also reminded firms to perform a reasonable basis suitability determination on a structured product before recommending the product, as well as a customer-specific suitability determination. The Notice directed firms to ensure that their procedures required review of all promotional materials for accuracy and balance. FINRA also instructed firms that they must train brokers and their supervisors about each type of structured product before the brokers sell the product to investors.

Earlier that year FINRA reminded firms that reasonable supervision required that a firm have procedures in place to ensure that no new products are sold through the firm without thorough vetting. The Notice stated that such review and planning could "greatly enhance a firm's ability to detect and avoid conflicts, unsuitable recommendations, and other problems before violations occur."[2]

Santander Securities' Structured Product Business

Santander Securities began offering structured products to its customers in August 2003. The first products that it offered were reverse convertible securities. The firm also offered other structured products, including CDs linked to various indices and range accrual notes. The firm sold seven different types of structured products to approximately 1,300 customer accounts during the Review Period.

The structured products sold by the firm included products offered by third parties and by affiliates. In late 2006, the firm began to sell structured products that were offered by mutual funds that were part of the First Puerto Rico Family of Funds, funds managed by Santander Asset Management, a wholly-owned subsidiary of Santander Securities. The firm also sold index-linked certificates of deposit issued by an affiliated bank.

Like many firms, Santander Securities experienced an increase in its sale of structured products to retail clients. In September 2007, commissions from the sale of these products contributed

[1] As of July 30, 2007, NASD and New York Stock Exchange Regulation, Inc., consolidated their member regulation functions and began operating under a new corporate name, the Financial Industry Regulatory Authority ("FINRA"). References in this document to FINRA include, where appropriate, NASD.

[2] Notice to Members 05-26, at p. 2.

over 30% of the firm's revenue, and made up almost 20% of revenue for the fourth quarter of 2007. Sales of reverse convertibles made up over eight percent of the firm's business in that same quarter.

In September 2008, the firm stopped selling all reverse convertible securities and structured products issued by the First Puerto Rico Family of Funds.

The Firm Had Inadequate Policies and Procedures Regarding Selection of Structured Products and Structured Product Training

Despite the sharp growth in Santander Securities' structured product business, the firm had no process for reviewing or approving any particular structured product prior to offering the product to a customer. The firm permitted brokers to offer any structured products available from its clearing firm's trading platform. The firm's trading desk sent brokers periodic listings of new issue reverse convertibles and reverse convertibles available in the secondary market. Although the trading desk did not make a substantive determination of the merit of those products, some brokers understood that these lists contained products approved by the firm.

The firm placed the responsibility on the broker to evaluate a structured product and select appropriate products for clients. Although brokers were given wide latitude in choosing and selling structured products to their retail customers, the training, guidance and supervision by the firm of structured product sales was limited and inadequate.

The firm did not require training on structured products for brokers or supervisors. When reverse convertibles were discussed during weekly sales meetings, brokers and managers were not provided with adequate information about the risks associated with these products or a reverse convertible's proper allocation in a diversified portfolio. In fact, the materials that the firm provided to its brokers as general background on reverse convertibles stated that most issuers intended to maintain a secondary market for their products, a statement not true for almost half of the reverse convertibles sold by the firm that were issued by mutual funds in the First Puerto Rico Family of Funds.

In addition, in September 2005, the firm's sales manager distributed to the sales force a brochure that described how reverse convertibles work. The manager attached a hand-written cover note that encouraged brokers to learn more about reverse convertibles and stated that they were "suitable for investors with a moderate risk profile." This blanket assertion did not provide sufficient suitability guidance to the sales force. Santander Securities did not establish any specific limits, or set forth any guidance or recommendations concerning which clients were appropriate for investing in structured products. At that time, the firm issued no guidance or restrictions on account type, income level, investment experience, account objectives appropriate for certain structured product types.

Prior to June 2008, the firm had no formal suitability policies specific to structured products. Its overall suitability policy consisted of a general recitation of the suitability rule. Further, the firm had no guidelines for brokers or supervisors concerning appropriate levels of concentration in structured products. The minimal guidance provided by the firm with respect to reverse convertibles was incomplete, as it simply stated that reverse convertibles were appropriate for investors with a moderate risk tolerance. In June 2008, the firm issued new policies specific to reverse convertibles that included certain eligibility requirements, such as mandating that accounts purchasing reverse convertibles have options approval and speculation as the account's risk exposure. The firm did not, however, issue eligibility guidelines generally addressing structured products.

The Firm Failed to Adequately Supervise Structured Product Sales

The firm failed to effectively monitor customer accounts for potentially unsuitable purchases of reverse convertibles and other structured products. This failure included inadequate supervisory policies and procedures to detect and respond to potential over-concentration in structured products in customer accounts.

The firm placed responsibility with the sales manager to ensure, among other things, that all securities transactions recommended by brokers were suitable. However, the firm did not provide any guidance or tools for managers to use to determine whether a particular structured product transaction was suitable. The firm also lacked tools to assist a manager in determining whether the reverse convertible transaction created a concentrated position in a customer's account.

The firm's procedures required the sales manager to supervise for suitability by reviewing a Daily Transaction Report, which contained all trades executed on the previous business day. This report did not include any customer-specific suitability information, which could only be accessed through other systems, and little information about the product bought or sold. Accessing basic information needed for a suitability review was a slow and inefficient process, not feasible for the number of transactions that appeared on the unwieldy report.

At different times during the Review Period, the compliance department highlighted certain accounts with concentrated reverse convertible positions during supervision meetings attended by senior management. However, the firm did not adequately follow-up on these reports of overconcentration in these accounts. In addition, in June 2008, the compliance department identified 108 accounts that held more than 20% of the account's value in a single reverse convertible. These accounts had invested a total of approximately $17.8 million in reverse convertibles. Again, the firm failed to adequately address the concentrated accounts and did not follow-up with any timely action.

Through this conduct, the firm violated NASD Rules 3010 and 2110.

Suitability Violations

During the Review Period, customers of Santander Securities invested more than $130 million in reverse convertibles and the firm earned more than $1.7 million in commissions from the sale of these securities. A staff review of a subset of those trades identified sixteen recommended purchases of reverse convertibles in nine accounts that were unsuitable. These transactions exposed those customers to a risk of loss that was inconsistent with their risk tolerance and investment objectives and resulted in concentrated positions. While some of the unsuitable recommendations were profitable, eleven of the recommendations resulted in customer losses of $376,172. The firm has remediated, with interest, the customers identified by the staff.

The following three accounts are examples of unsuitable reverse convertible purchases:

- EFA and RA Trust Account

  EFA and RA, a married couple, were 83 and 89 years old, respectively, in 2007, and had been retired for over 20 years. In November 2007, following the recommendation from their broker, they invested over $100,000 in one reverse convertible position, which represented 85% of their account value and a significant portion of the stated $200,000 liquid net worth. This concentrated position exposed EFA and RA to a risk of loss that exceeded the account's risk tolerance of "moderate" and was inconsistent with the investment objective of "long-term growth." The investment ultimately resulted in a loss of over $88,000.

- EC Account

  In November 2007, following the recommendation of her broker, EC, a 36-year-old homemaker with no prior investment experience, invested $95,000 in one reverse convertible security. This position represented an 84% concentration in her account value and a substantial portion of her $300,000 liquid net worth. The investment was inconsistent with her risk tolerance of "moderate" and her investment objective of "long-term growth." The reverse convertible investment resulted in an approximately $80,000 loss.

- LIC Account

  In 2007, LIC was a 62-year-old, self-employed woman in retail sales. According to her new account form, she had an annual income of between $12,000 and $13,000 and a liquid net worth of $300,000. In September 2007 and December 2007, following the recommendations from her broker, LIC invested $124,775, $98,000, and $124,775, in three reverse convertibles using margin for two of those purchases. The account was 100% invested in reverse convertible securities between September 2007 and December 2007. These purchases were inconsistent with her risk tolerance of "moderate" and her investment objective of "income," and resulted in combined losses of over $106,000.

In addition to the unsuitable investments in reverse convertibles that the staff identified, the firm entered settlements with customers based on the purchase of reverse convertibles. The settlements were reached as a result of the firm's review of certain accounts holding concentrated reverse convertible positions in pledge collateral loan accounts, as well as some customer complaints. The firm settled with 17 clients and has paid out more than $6.9 million to those clients.

Through this conduct, the firm violated NASD Rules 2310 and 2110.

Failure to Supervise Pledge Collateral Accounts

The firm actively solicited account holders to borrow money from its banking affiliate using securities in their brokerage accounts as collateral. Some brokers then assisted customers in using those borrowed funds to buy reverse convertibles. If the reverse convertible returned the full principal at maturity, then the customer captured the spread between the interest paid to the bank and the higher coupon paid out by the reverse convertible. However, when reverse convertibles resulted in customers having the reference asset be put to them at a value significantly below market, many customers not only lost the money that they invested, but owed additional money to the bank.

In March 2008, when the stock market declined precipitously, the bank liquidated certain concentrated reverse convertible positions, leaving certain customers that held those positions with large debts to the bank. A review undertaken by Santander Securities determined that some of those clients did not understand the product or the risks involved, and had insufficient resources to repay the bank.

The supervisory failures concerning structured products generally were compounded in many pledge collateral accounts. The firm had no policies and procedures, written or unwritten, that governed how supervisors were to monitor and review brokers' recommendations to purchase securities using pledge collateral accounts. In addition, the firm did nothing to be aware, on an on-going basis, of the loan-to-value assessed against securities in the accounts.

Through this conduct, the firm violated NASD Rules 3010 and 2110.

Violations in Connection with First Puerto Rico Family of Funds Structured Product Offerings

Santander Securities sold structured products that were issued by mutual funds that were part of the First Puerto Rico Family of Funds beginning in late 2006. In 2007, these mutual funds began offering reverse convertibles that were sold by Santander Securities. Each mutual fund was registered as an investment company under the Puerto Rico Investment Company Act and was managed by Santander Asset Management. These mutual funds were not registered with the Securities and Exchange Commission, nor were the products that they issued.

Santander Securities did not present any of these structured products issued by the First Puerto Rico Family of Funds to the new product committee that had been established by its parent company. The firm did not have its own new product committee and did not have a procedure in place that required thorough vetting prior to selling a new product.

The structured products offered by the First Puerto Rico Family of Funds sought to qualify as securities exempt from the registration requirements of the Securities Act of 1933 by being offered only on an intrastate basis. The products were issued by a Puerto Rican entity and were designed to be sold only to residents of Puerto Rico. Some products were also issued exclusively for accredited investors, as that term was defined by Section 501 of Regulation D or the Securities Act of 1933.[1] The residency requirement for all investors was vital to qualifying for the intrastate exemption from registration and the accredited investor status requirement served to protect both the issuer and investor.

Santander Securities was required to send offering and disclosure documents to customers prior to a customer's investment decision. In addition, the firm was required to obtain letters from

[1] The requirement that investors be accredited was not relied on as a means to qualify for an exemption from registration with the SEC.

customers attesting to their Puerto Rico residency and, in some instances, accredited investor status. Santander Securities failed to provide investors who purchased these reverse convertibles offering documents prior to making their investment decision. The firm had no written procedures and its supervisory system was not adequate to ensure customers were sent offering and disclosure documents, or that the representation letters were completed by customers, returned to the firm, and reviewed to determine that the purchasing investors met the required conditions set by the issuers.

In November 2007, the firm's compliance department tested 128 customer accounts that held reverse convertible securities that required accredited investor status. Based on the firm's information concerning customer's net worth and net income collected on the firm's new account documents, over 25% of customers holding those securities failed to meet the standard for an accredited investor. A subsequent analysis of a larger set of accounts showed that in many instances, the firm did not comply with the requirement that it obtain representation letters concerning residency and assets from customers holding reverse convertibles issued by First Puerto Rico mutual funds.

Further, at least three customers who purchased First Puerto Rico Family of Funds structured products were not Puerto Rico residents at the time of the purchase. These three customers purchased four structured products issued by the First Puerto Rico Family of Funds mutual funds. In these four offerings, the firm sold $5.5 million in securities that were not registered in reliance on the intrastate exemption. Because non-Puerto Rico residents participated in the offering, the offerings failed to qualify for the intrastate exemption.

Santander Securities was also required by the issuers to create and distribute pricing supplements to investors purchasing reverse convertibles issued by the funds. In three instances, the firm created and distributed pricing supplements with inaccurate identifying information about the issuing fund in which the issuer was either inaccurately described or misidentified.

Through these supervisory failures, the firm violated NASD Rules 3010 and 2110. Additionally, the firm violated NASD Rule 2110 by selling four unregistered offerings in violation of Section 5 of the Securities Act of 1933, and violated NASD Rule 2110 by creating and distributing inaccurate offering documents.

Rule 2710 and 2720 Violations

NASD Rule 2710[1] prohibits firms from participating in public offerings unless documents and information set forth in the rule are filed with the Corporate Financing Department of FINRA. Once the documents are filed, the Corporate Financing Department reviews the proposed underwriting and offering documents in a variety of areas, including an evaluation of conflicts of interest, underwriting compensation, and various disclosures. At the conclusion of that review, the Department issues an opinion, either that it has no objections to the proposed underwriting and its terms, or states that it has certain objections. Firms may not participate in offerings that have not received a "no objections opinion" from the Corporate Financing Department.

[1] This rule has been superseded by FINRA Rules 5110 and 5190.

During the Review Period, Santander Securities served as the lead or sole underwriter in 164 First Puerto Rico Family of Funds structured product public offerings. The firm sold more than $188 million of the structured products, including reverse convertibles, issued by First Puerto Rico mutual funds. During this time, more than sixty percent of its overall structured product revenue was derived from the sale of these products. Prior to participating in certain of these offerings, Santander Securities was required to make sure that the appropriate documents related to each offering had been filed and a "no objections opinion" had been obtained from FINRA's Corporate Financing Department. These steps were not taken prior to Santander Securities' participation in certain offerings that were not exempt from the filing requirements.

By participating in non-exempt offerings for which no filings were made with FINRA, the firm violated NASD Rules 2710 and 2110.

Because the firm engaged in the offering of securities issued by affiliates, it was also subject to the conflict of interest provisions of NASD Rule 2720.[1] That rule operates in concert with Rule 2710 and imposes certain additional requirements for offerings of a member or its affiliates designed to temper the conflicts inherent in such offerings. Santander Securities did not comply with several applicable provisions of that rule for those offerings that were not exempt from Rule 2720.

For example, Rule 2720(c) prohibits firms from participating in offerings of securities of their affiliates unless certain conditions are met. These conditions include that either, a qualified independent underwriter participate in the offering, a bona fide market for the security exists, or the securities are rated by certain rating services as investment grade. The reverse convertible offerings that Santander Securities participated in did not meet any of these conditions.

In addition, Rule 2720(k) requires the firm to maintain in its files customer-specific suitability determinations for numerous purchases of affiliated securities issued by the First Puerto Rico Family of Funds during the Review Period. The firm did not maintain such records.

By participating in offerings that did not comply with the requirements of NASD Rule 2720, the firm violated NASD Rules 2720 and 2110.

Violative Confidentiality Provisions in Settlement Agreements

In June 2004, NASD issued Notice to Members 04-44, which reminded members that their "use of certain provisions in settlement agreements with customers or other persons that impede, or have the potential to impede NASD investigations and the prosecution of NASD enforcement actions violates NASD Rule 2110, which requires members to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business."

Specifically, the Notice states that problematic settlement agreements "contain language requiring customers or other settling parties to provide notice to the member firm before providing information to NASD or any other regulatory authority upon inquiry or before testifying about the settlement terms before NASD or other regulators." The firm entered into

[1] This rule has been superseded by FINRA Rule 5121.

five settlement agreements involving the purchase of reverse convertible securities that contained confidentiality provisions that were inconsistent with this regulatory guidance, although it later sent clarifying notices to those parties. Through this conduct the firm violated NASD Conduct Rule 2110.

CRD Filing Inaccuracies

The firm filed amendments of Uniform Applications for Securities Industry Registration or Transfer (Forms U4) and Uniform Termination Notices for Securities Industry Registration (Forms U5) with the Central Registration Depository which contained inaccuracies for two registered representatives with respect to customer settlements. Specifically, in a total of six instances, the firm incorrectly reported that a broker contributed to a settlement involving reverse convertibles. Although the firm hoped to obtain a contribution from the brokers, in each instance there was no individual contribution to the settlement. Through these inaccurate disclosures, the firm violated Article V, Sections 2 and 3 of the By-Laws of the Corporation and NASD Conduct Rule 2110.

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

- Censure; and
- A fine in the amount of $2 million.

Respondent has specifically and voluntarily waived any right to claim an inability to pay at any time hereafter the monetary sanctions imposed in this matter.

C. Respondent agrees to complete the following undertakings:

1. Respondent will review its current written policies and procedures, training and available tools, in the following area:

    a) Product suitability, including both reasonable basis and customer-specific suitability;
    b) Sales supervision, including review of customer transactions and account allocation; and
    c) Intrastate offerings.

    Respondent will implement strengthened systems and procedures where appropriate.

2. Respondent will establish written policies and procedures for the development and vetting of new products for review by the firm.

3. Respondent will obtain training for firm personnel with responsibility for regulatory disclosures with respect to reporting requirements under FINRA and Central Registration Depository rules.

4. Within 210 days from the date of this AWC, Respondent will submit to FINRA a report that:

    a. describes the systems and procedures that are in effect at the firm at that time with respect to each area above in section C.1;

    b. describes the committee established as set forth in section C.2; and

    c. certifies that the required training has been completed pursuant to C.3.

For good cause shown, and upon receipt of a timely request from Respondent, FINRA may extend any of the procedural dates set forth above.

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

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 Respondent;

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 General Counsel, 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.

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 actions brought by FINRA or any other regulator against it;

2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;

3. FINRA may make a public announcement concerning this agreement and the subject matter thereof 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

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 or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understood all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that the firm has 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 the Firm to submit it.

2/28/2011
Date (mm/dd/yyyy)

Santander Securities Corporation

By:
Luis Roig

Reviewed by:

James H.R. Windels
Counsel for Respondent
Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
212-450-4978

Accepted by FINRA:

April 12, 2011

Date

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

Julie K. Glynn
Senior Regional Counsel
FINRA Department of Enforcement
One Liberty Plaza
New York, New York 10006
Julie.Glynn@finra.org
Tel. No. (212) 858-4776; Fax No. (212) 858-4770

CORRECTIVE ACTION STATEMENT

On February 28, 2011, Santander Securities Corp. (the "Firm") signed the attached letter of Acceptance, Waiver and Consent (the "AWC") with the Financial Industry Regulatory Authority ("FINRA"). Both prior to and since the commencement of FINRA's investigation, the Firm has taken demonstrable steps to address many of the issues described in the AWC.

In 2008, the Firm suspended the sale of reverse convertible securities and conducted a detailed review of customer accounts to identify accounts containing potentially improper investments in reverse convertibles. As a result of this review the Firm compensated its customers who lost money due to unsuitable recommendations. The Firm also substantially revised and enhanced its procedures relating to sales, sales supervision and structured products and strengthened its management overseeing all of these functions and services. Finally, the Firm reviewed and enhanced its procedures for ensuring compliance with the registration and filing requirements under the federal securities laws and FINRA's rules.

This Corrective Action Statement is submitted by Santander Securities Corp. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.