

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 20090197795**

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

RE: **Piper Jaffray & Co.**, Respondent  
FINRA Member  
Organization CRD No. 665  
Organization SEC No. 8-15204

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Piper Jaffray & Co. ("Piper Jaffray" or 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, FINRA 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 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**

Piper Jaffray has been a FINRA regulated broker/dealer since October 1936, with headquarters in Minneapolis, Minnesota, and offices throughout the United States, as well as affiliate offices in Hong Kong and London. Piper Jaffray and its affiliates provide investment banking services, institutional sales, trading and research services, and asset management services worldwide.

## **RELEVANT DISCIPLINARY HISTORY**

In *U.S. Bancorp Piper Jaffray Inc.*, Decision 02-227 (NYSE Hearing Board November 15, 2002) (the "November 2002 Discipline")<sup>1</sup>, the Firm was disciplined for violations regarding its failure to preserve electronic mail communications as required by NYSE and NASD Rules and the federal securities laws. Piper Jaffray consented to a sanction issued by the NYSE, the NASD and the United States Securities and Exchange Commission ("SEC") of a censure, a fine in the amount of \$1,650,000, and an undertaking to certify that it had systems and procedures in place reasonably designed to comply with the federal securities laws and the rules of the NYSE and NASD concerning the preservation of electronic mail communications. The Firm certified on March 3, 2003 it had complied with the undertaking.

## **OVERVIEW**

In connection with the November 2002 Discipline, the Firm implemented an application for electronic surveillance and retention of email. Shortly after implementation, the Firm began to experience issues with the retention of electronic mail communications ("emails") during the period beginning November 16, 2002 through at least December 31, 2008 (the "Relevant Period"). During the Relevant Period, the Firm failed to retain approximately 4.3 million emails.<sup>2</sup> The Firm also failed to disclose to FINRA that it was experiencing intermittent problems with the retention and/or retrieval of emails which impacted its ability to make a complete production of emails responsive to FINRA requests, thereby potentially hindering FINRA's investigations.

As a result, during the Relevant Period, the Firm failed to establish a supervisory system and procedures reasonably designed to: (i) ensure its compliance with the recordkeeping and reporting obligations; (ii) detect and remedy deficiencies in its email retention and review systems; and (iii) perform a supervisory review of all required emails. The Firm also failed to promptly report to the New York Stock Exchange that it violated provisions of securities laws or regulations and/or rules of a self-regulatory organization which required the retention of emails.

## **FACTS AND VIOLATIVE CONDUCT**

### ***Firm's Certification on March 3, 2003***

Pursuant to the undertaking required by the November 2002 Discipline, Piper Jaffray conducted a required review of its systems and procedures during the

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<sup>1</sup> U.S. Bancorp acquired Piper Jaffray in May 1998 and the merged company was known as U.S. Bancorp Piper Jaffray Inc. In December 2003, U.S. Bancorp spun-off Piper Jaffray in a stock dividend to its shareholders and going forward, the Firm operated under the name Piper Jaffray & Co.

<sup>2</sup> The Firm initially failed to retain approximately 4.3 million emails, but was able to successfully recover nearly 550,000 emails during its recovery efforts in the period January 2007 to May 2007.

period November 16, 2002 through March 3, 2003 in order to submit the requisite certification. On March 3, 2003, pursuant to the Order Instituting Proceedings in *U.S. Bancorp Piper Jaffray Inc.*, Piper Jaffray certified through its outside counsel to the SEC, NASD and NYSE Regulation that it had “completed a review of its procedures regarding the preservation of electronic mail communications for compliance with federal securities laws and regulations, and the rules of the NASD and the New York Stock Exchange...and established systems and procedures reasonably designed to achieve compliance with those laws, regulations and rules concerning the preservation of electronic mail communications.”

*First Email Outage – March 26 to April 17, 2003*

The Firm experienced an archiving outage from March 26 to April 17, 2003 that caused the loss of an estimated 460,000 internal emails (estimate based on historical messaging statistics) due to a “journaling error” (the “April 2003 Incident”). The Firm first became aware of this issue on April 7, 2003, when an individual responsible for reviewing emails at the Firm noticed that emails from two particular individuals were not being fed to the email surveillance and retention system (called “Assentor”). The Firm’s Compliance Department (“Compliance”) was first informed of the issue on or about April 7, 2003 and an internal inquiry was initiated. Compliance was provided with regular updates on the progress of the internal inquiry, including the conclusion on or about April 21, 2003 that the problem had been identified and corrected, but at least 460,000 email messages were lost in the interim.

On April 22, 2003, the Firm’s Information Technology Department (“IT”) generated a Corporate Messaging Surveillance Critical Incident Report (the “April 2003 Incident Report”) that provided a detailed analysis of the outage. The April 2003 Incident Report indicated that a contributing factor to the outage in Assentor had been the Firm’s decision to suspend a daily surveillance report called the “Messaging Statistics Report.” Previously, the Messaging Statistics Report had been generated and reviewed on a daily basis to determine the number and type of messages processed through Assentor. The April 2003 Incident Report noted that had the Messaging Statistics Report still been performed, it was possible that it would have provided notice to the Firm that “there was a serious issue with corporate message processing and retention.”

*Second Email Outage – June 9, 2004 to June 29, 2004*

The Firm experienced a second email archiving outage from June 9 to June 29, 2004 that caused the loss of an estimated 568,000 internal emails. The Firm first became aware of this outage on June 28, 2004 when an Assentor email reviewer reported an abnormal drop in the number of messages typically reviewed. The Firm identified and corrected the problem the next day, on June 29, 2004, and concluded that the outage was caused when the Firm made several journal routing

changes to Assentor but failed to perform validation testing thorough enough to ensure that Assentor was receiving messages from all of the servers. In fact, the Firm failed to account for several other servers and as a result, did not detect that they were not sending messages to Assentor for retention.

On June 29, 2004, IT generated a Corporate Messaging Surveillance Critical Incident Report (the "June 2004 Incident Report") that provided a detailed analysis of the outage. The June 2004 Incident Report indicated that a contributing factor to the significant amount of time it took to identify the problem (which began on June 9 but was discovered on June 28) was the same issue as identified in the April 2003 Incident Report – the discontinuation of the Messaging Statistics Report. While the Messaging Statistics Report had been in use since the April 2003 Incident, the report generation process stopped functioning properly in early 2004 and, as a result, the Messaging Statistics Report was rendered useless. The June 2004 Incident Report further stated that, "It is certain that had this report been monitored in this particular case, the issue would have been noticed much sooner than it was."

#### *Unusually Low Message Count Incidents*

On January 25, 2005, the Firm experienced an unusually low message count in comparison with its average daily email volume. As a result, the Firm estimated that approximately 40,000 emails were lost. The Firm was unable to identify the cause of the low message count and confirm that messages were actually missing.

On November 24 to November 25, 2005, the Firm again experienced an unusually low message count in comparison with its average daily email volume. The Firm estimated that approximately 101,000 emails were lost. The Firm was unable to identify the cause of the low message count and confirm that messages were actually missing.

#### *Third Email Outage – January 16 to January 20, 2006*

The Firm experienced a third email archiving outage from January 16 to January 20, 2006 that resulted in the loss of approximately 336,000 emails. The Firm lost these emails due to a faulty journaling process, and the Firm was unable, after several attempts, to restore the emails from backup tapes because they were corrupted.

#### *Fourth Email Outage – July 12 to July 13, 2006*

The Firm experienced a fourth email archiving outage from July 12 to July 13, 2006, resulting in the loss of an estimated 40,000 emails. A faulty journaling process resulted in emails failing to migrate to Assentor for retention. Again, the Firm was unable to recover the missing emails due to corrupted backup tapes.

Additional Email Outages Throughout the Relevant Period - Code 75 and Code 78 Errors

In addition to the aforementioned email outages during the discrete periods of time, the Firm also experienced sporadic and unexplained email archiving outages throughout the period beginning with the date the Firm implemented Assentor in or about July 2002 through January 2005.

During the period November 16, 2002 through January 25, 2005, approximately 1.5 million emails were lost due to file corruption and were rendered unrecoverable. The Firm internally designated these types of email losses due to file corruption as Code 75 Errors.

Also, during the period November 16, 2002 through January 25, 2005, approximately 1.2 million emails were identified as corrupted during the hardware upgrade. The Firm was able to subsequently restore 549,663 of these emails during the period January 2007 through May 2007. The Firm internally designated these types of email corruptions during the hardware upgrade as Code 78 Errors.

FINRA's Request for Emails in Connection With its Investigation of a Former Firm Employee and Discovery of the Email Retention Issues

During the course of FINRA Enforcement's investigation of a former Piper Jaffray employee, registered representative "DC", Enforcement staff requested DC's emails, sent or received, during his tenure at the Firm, from both his Firm and Bloomberg email accounts. The Firm provided a CD-Rom purportedly containing all of DC's emails as requested. However, during its review of this CD-ROM, FINRA Enforcement staff was unable to locate the electronic version of a particular December 7, 2004 email that had previously been provided by the Firm in the form of a hard-copy printed exhibit.<sup>3</sup>

FINRA Enforcement requested that the Firm provide an explanation as to why this particular email was not included in its production to FINRA. After further inquiry by FINRA to determine the scope and extent of the email retention issues Firm-wide, the Firm first informed FINRA of its various email retention issues.

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<sup>3</sup> The Firm's Assentor email surveillance function had flagged the December 7, 2004 email for further review based upon the detection of several key words in the email, leading to an internal investigation that eventually resulted in DC's employment termination.

Piper Jaffray's Discovery in Late 2008 of Additional Email Issues, Including Two Issues Affecting Bloomberg Emails

Bloomberg Message Ingestion Failure ("Ingestion Issue")

On or about September 16, 2008, the Firm discovered that during the period January 28, 2008 through September 16, 2008, approximately one million email messages sent via Bloomberg were not ingested into the Firm's Assentor server. While these messages were stored elsewhere in the Firm's systems and servers, the failure to ingest into Assentor resulted in approximately one million Bloomberg messages that initially were not submitted for the Firm's required supervisory review of electronic communications. On or about October 7, 2008, the Firm disclosed the Ingestion Issue to FINRA.

The Firm subsequently ingested these messages into Assentor and completed the required supervisory reviews of these emails by October 29, 2008. The Firm did not identify any issues in connection with its supervisory review of these emails.

Bloomberg User ID Registration Issue ("Registration Issue")

The Firm also discovered in late 2008 that during the period August 1, 2002 through December 31, 2008, the Firm's systems failed to link certain Bloomberg email accounts with specific Piper Jaffray employees. As a result, extraction requests for all emails of these impacted employees would not have produced the Bloomberg emails associated with the respective employee. The Firm identified 14,484,963 Bloomberg emails (10,509,195 of which were unique messages)<sup>4</sup> that had not been registered to their respective Assentor user. On or about October 7, 2008, the Firm disclosed the Registration Issue to FINRA, although the Firm indicated that it was still in the process of determining the scope and extent of the problem.

Additional Missing Emails (Code 75 and Code 78 Errors)

The Firm discovered in late 2008 that an additional 17,900 email messages from 2003 through 2008 were lost and irretrievable due to Code 75 and 78 Errors. On or about October 7, 2008, the Firm disclosed these additional Code 75 and 78 Errors to FINRA.

**1. Failure to Retain All Required Emails**

NASD Rule 3110(a) provides, in pertinent part, "Each member shall make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws, rules, regulations, and statements of policy promulgated

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<sup>4</sup> The Firm determined that 3,975,768 of the 14,484,963 Bloomberg emails are copies of unique messages sent to or received by multiple Bloomberg email accounts.

thereunder and...[t]he record keeping format, medium and retention period shall comply with Rule 17a-4 under the Securities Exchange Act of 1934.”

Rule 17a-4 requires that every broker dealer preserve for a period of not less than three years, the first two years in an accessible place “originals of all communications received and copies of all communications sent by such member, broker or dealer (including inter-office memoranda and communications) relating to his business as such.”

Piper Jaffray’s failure to retain approximately 4.3 million emails (3.8 million if adjusting for recovered emails) during the Relevant Period constitutes a violation of NASD Rule 3110 and Rule 17a-4 of the Securities Exchange Act of 1934. For the period November 16, 2002 to December 14, 2008, this violative conduct also constitutes a violation of NASD Conduct Rule 2110, and for the period December 15, 2008 to December 31, 2008, this violative conduct also constitutes a violation of FINRA Rule 2010, both of which require that a firm, in the conduct of its business, observe high standards of commercial honor and just and equitable principles of trade.<sup>5</sup>

2. **Firm’s Failure to Disclose that its Email Retention Deficiencies Impacted its Ability to Respond to Requests for Emails by FINRA Potentially Hindered FINRA’s Investigations**

NASD Rule 2110 states that “[a] member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.”

The Firm did not alert FINRA to any of the issues with email retention, email supervisory review and potentially incomplete email production that occurred prior to 2007 until after FINRA first questioned the Firm during the course of its investigation of former Firm employee DC.<sup>6</sup> The Firm’s failure to disclose that its email retention deficiencies had impacted its ability to fully respond to regulatory requests potentially hindered FINRA’s investigations.

**Impact on FINRA Enforcement’s Investigation**

A total of 7,217 of DC’s Firm emails, representing 15.8% of his total Firm emails, were not retained by the Firm during the period July 13, 2003 through January 18, 2005. Furthermore, in late 2008, the Firm identified an additional 6,382 Bloomberg emails attributed to DC during the period July 13, 2003 through January 18, 2005 that had not previously been produced. The Firm produced

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<sup>5</sup> See FINRA Regulatory Notice 08-57, which describes certain changes to FINRA’s rules including the change of NASD Rule 2110 to FINRA Rule 2010, effective December 15, 2008.

<sup>6</sup> After FINRA began investigating the Firm’s email retention and supervisory issues in 2007, the Firm disclosed any new issues it discovered concerning email retention/supervision, including the Bloomberg Ingestion and Registration Issues and the subsequent emails impacted by Code 75 and Code 78 Errors discovered in late 2008.

these additional Bloomberg messages on January 12, 2009, when the DC matter was already late in the settlement stage. Therefore, the additional 6,382 Bloomberg messages were of limited use to Enforcement staff. Since Enforcement staff heavily relied upon DC's emails in developing a disciplinary action, the Firm's failure to produce a significant portion of DC's Firm and Bloomberg emails potentially impacted Enforcement's investigation.<sup>7</sup>

Furthermore, the Firm's email retention deficiencies may have impacted its ability to produce emails fully responsive to other regulatory requests, as well as requests by other parties in civil litigation and arbitration for the production of emails.

As a result of the foregoing, Piper Jaffray violated NASD Rule 2110 during the period November 16, 2002 to December 14, 2008, and FINRA Rule 2010 during the period December 15, 2008 to December 31, 2008.

3. **Supervisory Violations – Failure to Design Systems and Procedures Reasonably Designed to Detect Email Retention Deficiencies, Reporting Violations, and Failure to Perform Required Supervisory Review for All Required Emails**

NASD Rule 3010(b)(1) provides, in pertinent part, “[e]ach member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and ... that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of NASD.”

During the Relevant Period, the Firm failed to have a supervisory system and procedures in place reasonably designed to achieve compliance with applicable securities laws, rules and regulations. Specifically, the Firm's systems and procedures failed to detect (in some cases until FINRA Enforcement's present inquiry) and the Firm failed to respond adequately to the different email retention outages. As a result, 4.3 million emails over a prolonged period of time were lost, of which 3.8 million remain unrecoverable. The Firm also failed to ensure that emails were available for the Firm to search and extract in response to requests for emails from regulators and other parties.

Also, the 4.3 million emails that the Firm failed to retain (plus the one million Bloomberg emails that the Firm failed to timely move to Assentor) were also not reviewed or supervised in accordance with the Firm's requirement to review and supervise its electronic communications and in accordance with NASD Rules.<sup>8</sup>

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<sup>7</sup> In mid-2009, FINRA resolved a disciplinary action in which DC was fined \$5,000 and suspended for three months as a result of the Staff's investigation.

<sup>8</sup> The one million Bloomberg messages and the 549,663 recovered emails were subsequently processed into the Firm's electronic supervisory review system and, in accordance with the Firm's procedures, a designated percentage of these messages were reviewed.



The Firm also failed in its supervision to ensure that it properly and timely reported violations of securities laws or regulations and/or rules of a self-regulatory organization related to recordkeeping during the Relevant Period.

In light of these deficiencies, Piper Jaffray violated NASD Rule 3010(b)(1) during the Relevant Period. This violative conduct also constitutes a violation of NASD Conduct Rule 2110 during the period November 16, 2002 to December 14, 2008, and FINRA Rule 2010 during the period December 15, 2008 to December 31, 2008.

#### 4. Failure to Promptly Report Email Retention Deficiencies

NYSE Rule 351(a) provides that a Firm “shall promptly report to the Exchange whenever such member or member organization, allied member or registered or non-registered employee associated with such member or member organization has violated any provision of any securities law or regulation, or any agreement with or rule or standards of conduct of any governmental agency, self-regulatory organization, or business or professional organization, or engaged in conduct inconsistent with just and equitable principles of trade or detrimental to the interests or welfare of the Exchange.”<sup>9</sup>

The Firm knew, as early as April 2003, that its email retention systems and procedures failed to ensure that all required email was retained (specifically, with respect to the April 2003 Incident, that a journaling failure caused the loss of internal emails). In particular, both Compliance and IT were aware of the Firm’s email retention difficulties. The Firm continued to experience different email retention issues intermittently for at least the next three years. The Firm did not report to FINRA, the NASD or NYSE Regulation these issues or the potential that it was not in compliance with the recordkeeping rules and regulations.

As a result of the foregoing, the Firm violated NYSE Rule 351 during the Relevant Period. This violative conduct also constitutes a violation of NASD Conduct Rule 2110 during the period January 3, 2005 to October 7, 2008.

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<sup>9</sup> NYSE Information Memo 06-11, NYSE Rule 351(a)(1) Guidance on Reporting Requirements (March 16, 2006) reiterated the requirements for a Firm to report under NYSE Rule 351. In particular, NYSE Information Memo 06-11 states “the obligation to report attaches once the firm has concluded that violative conduct has taken place.” NYSE Information Memo 06-11 further states that “systemic firm failures involving numerous customers, multiple errors or significant dollar amounts should be reported. In addition, discovery of violative conduct by the firm or its employees that is not systemic but has widespread or potential widespread impact to the firm, its customers, or the industry would require the firm to report the matter under NYSE Rule 351(a)(1).”

## VIOLATIONS

- 1) During the period November 16, 2002 through at least December 31, 2008, Piper Jaffray violated Section 17(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 17a-4 thereunder, NASD Rules 3110(a) and 2110, and FINRA Rule 2010 by failing to maintain all electronic mail communications.
- 2) During the period April 7, 2003 through at least December 31, 2008, Piper Jaffray violated NASD Rule 2110 and FINRA Rule 2010 in that it failed to disclose to FINRA that it was experiencing intermittent problems with the retention and/or retrieval of electronic communications which impacted its ability to make a complete production of electronic communications responsive to FINRA requests, thereby potentially hindering FINRA's investigations.
- 3) During the period November 16, 2002 through at least December 31, 2008, Piper Jaffray violated NASD Rules 3010 and 2110 and FINRA Rule 2010 by failing to establish and maintain appropriate systems and procedures reasonably designed to: (i) achieve compliance with the requirements of SEC Rule 17a-4, NASD Rule 3110(a), and NYSE Rule 351; (ii) detect and remedy deficiencies in its email retention and review systems; and (iii) perform a supervisory review of all required emails.
- 4) During the period April 7, 2003 through October 7, 2008, Piper Jaffray violated NYSE Rule 351 and NASD Rule 2110 in that it failed to promptly report to the New York Stock Exchange that it violated provisions of securities laws or regulations and/or rules of a self-regulatory organization which required the retention of electronic communications in that Piper Jaffray's systems and procedures failed to retain all electronic communications required to be retained.

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

A censure and a fine in the amount of \$700,000.

The Firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. The Firm 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(s) imposed in this matter.

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

## II.

### WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

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

The Firm 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

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 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 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 FINRA or any other regulator against the Firm;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the Firm'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. 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 FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA 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 FINRA, nor does it reflect the views of FINRA or its staff.

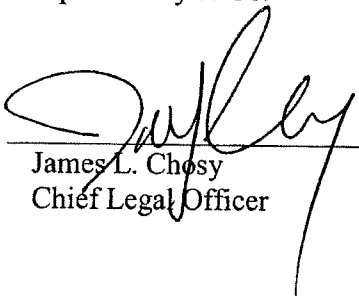
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, threat, 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.

May 11, 2010

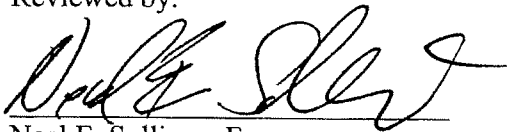
Date (mm/dd/yyyy)

\_\_\_\_\_  
Piper Jaffray & Co.

By: \_\_\_\_\_

  
James L. Chosy  
Chief Legal Officer

Reviewed by:

A handwritten signature in black ink, appearing to read "Neal E. Sullivan". The signature is written in a cursive style and is positioned above a horizontal line.

Neal E. Sullivan, Esq.

Counsel for Respondent

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Accepted by FINRA:

5/19/10  
Date

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

  
Linda Riefberg, Vice President  
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STATEMENT OF CORRECTIVE ACTION SUBMITTED BY PIPER JAFFRAY & CO.  
IN CONNECTION WITH FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 20090197795

As noted in the AWC, the overwhelming majority of the isolated e-mail issues occurred prior to August 1, 2006. Moreover, the Firm has expended substantial capital and committed resources as necessary for major system upgrades and audits. Piper Jaffray & Co. has made major advances with respect to its e-mail archival processes since the implementation of an automated system in 2002, and has demonstrated significant improvement in its archival capabilities throughout the review period. Overall retention improved to effectively 100 percent from approximately 98 percent during the review period. This progress is a reflection of Piper Jaffray's commitment to meeting and exceeding regulatory requirements and to maintaining the highest standards of commercial honor.

The Firm also has made changes as necessary to its processes and procedures in order to respond to the e-mail retention issues. For instance, Piper Jaffray has enhanced the manner in which potential e-mail issues are identified and communicated to other areas within the Firm. In addition, the Firm has improved its processes for responding to e-mail extraction requests.

In 2009, Piper Jaffray retained a third party consultant to conduct an extensive audit of its e-mail retention systems and procedures. Among the significant findings of the consultant were that Piper Jaffray's current electronic communications compliance and risk management program is functioning at a level that complies with internal policy and regulatory requirements and that Piper Jaffray is meeting FINRA requirements with regard to the supervision of the electronic communications of registered personnel and areas of the Firm that interact with external clients.

This Corrective Action Statement is submitted by Piper Jaffray & Co. It does not constitute factual or legal findings by FINRA, nor does it reflect the view of FINRA, or its staff.