

Notices

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Disciplinary and Other FINRA Actions

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Short Interest Reporting Requirements

Short Interest Reporting Changes Resulting from Changes in NASDAQ's Suffix Symbolology

Effective Date: September 13, 2008

Executive Summary

Effective September 13, 2008, as a result of modifications to NASDAQ's stock symbol system, short positions in NASDAQ securities must be submitted to FINRA in accordance with NASDAQ's new suffix symbolology. To enable firms to test their program changes, FINRA will make the Regulation Filing Applications test site available prior to the effective date.

Questions regarding this *Notice* may be directed to:

- Legal Section, Market Regulation, at (240) 386-5126;
- Office of General Counsel at (202) 728-8071;
- Yvonne Huber, Market Regulation, at (240) 386-5034; or
- Michele Bowan, Market Regulation, at (240) 386-4986.

February 2008

Notice Type

- Guidance

Suggested Routing

- Compliance
- Executive Representatives
- Legal
- Operations
- Senior Management
- Systems
- Trading
- Training

Key Topic(s)

- Short Interest Reporting
- NASDAQ Symbolology

Referenced Rules & Notices

- NASD Rule 3360
- NTM 07-24
- NTM 06-20
- NTM 03-08

Background and Discussion

Short Interest Reporting

NASD Rule 3360 requires firms to maintain a record of total short positions¹ in all customer² and proprietary firm accounts in NASDAQ and OTC equity securities (and listed securities if not reported to another self-regulatory organization),³ and requires firms to report such information to FINRA twice a month.⁴ Short interest reports must be made as of the settlement dates designated by FINRA.⁵ Firms must ensure that their short interest reports contain securities and issue symbols that are valid as of the designated settlement date.⁶

Changes to NASDAQ's Suffix Symbology

NASDAQ currently appends an additional character as the last character of NASDAQ-listed issues to identify subordinate issue types, such as preferred stock or warrants. Effective September 13, 2008, NASDAQ-listed issues with a subordinate issue modifier (i.e., "W" for warrant), including those with 1-, 2- and 3-character symbols, will be converted to the new suffix symbology. More information regarding these changes and a list of the affected securities can be obtained at www.nasdaqtrader.com/Trader.aspx?id=StockSymChanges.

Impact of NASDAQ Suffix Symbology Changes on Short Interest Reporting

Beginning with the September 15, 2008, reporting settlement date, firms must use NASDAQ's new suffix symbology when submitting short positions in NASDAQ securities to FINRA through the Regulation Filing Applications (RFA). When reporting short positions in NASDAQ securities, firms must ensure that the issue symbol is valid as of the designated settlement date and reflects the new NASDAQ suffix symbology, if applicable. Short positions in NASDAQ securities that are reported using the former suffix symbology will be rejected by RFA.

Testing of the Changes to the Regulation Filing Applications System

FINRA recognizes that the impact of NASDAQ's suffix symbology on short interest reporting will require firms to make modifications to their systems. Firms will have an opportunity to test their program changes prior to the effective date, using the RFA test site, which can be found at: <https://regfilingtest.finra.org>. Please refer to the RFA Message Center, <https://regfiling.finra.org>, for further information about the availability of the test site and symbology testing. Firms that encounter technical problems, or otherwise require assistance, should contact the FINRA Help Desk at (800) 321-6273.

Endnotes

- 1 NASD Rule 3360(b) provides that short positions required to be reported under the rule are those resulting from short sales as the term is defined in SEC Rule 200(a) of Regulation SHO, with limited exceptions. SEC Rule 200(a) provides that “[t]he term ‘short sale’ shall mean any sale of a security which the seller does not own or any sale which is consummated by the delivery of a security borrowed by, or for the account of, the seller.”
- 2 Short sale positions held for other broker-dealers that fall within the definition of “short” position provided in Rule 3360(b) must be reported under Rule 3360(a), unless these positions already are reported to a self-regulatory organization. *See Notice to Members (NTM) 03-08* (January 2003).
- 3 Non-self-clearing broker-dealers generally are considered to have satisfied their reporting requirement by making appropriate arrangements with their respective clearing organizations. *See NTM 03-08* (January 2003).
- 4 *See NTM 07-24* (May 2007).
- 5 A schedule of FINRA’s designated settlement dates, as well as other relevant dates relating to short interest reporting, is available at www.finra.org/shortinterestdates.
- 6 *See NTM 06-20* (April 2006).

Liability Notification Procedures

SEC Approves Amendments to NASD Rule 11810(i) to Mandate the Use of the Automated Liability Notification System of a Registered Clearing Agency

Effective Date: March 13, 2008

Executive Summary

Effective March 13, 2008, when issuing liability notices in connection with certain securities transactions, firms are required to use the automated liability notification system of a registered clearing agency, provided that both parties to the contract are participants in a registered clearing agency that has such an automated system.¹ NASD Rule 11810(i), as amended, is set forth in Attachment A.

Questions concerning this *Notice* should be directed to Rachael Grad, Counsel, Office of General Counsel, at (202) 728-8290.

Background & Discussion

NASD Rule 11810(i) sets forth the procedures that a party must follow when it is owed securities that have become the subject of a voluntary corporate action, such as a tender or exchange offer. Under Rule 11810(i), the owed party delivers a liability notice to the owing, or failing, counterparty. The liability notice sets a cut-off date for the delivery of the securities by the counterparty, and provides notice to the counterparty that it will be held liable for any damages caused by the failure to deliver the securities in time for the owed party to participate in the voluntary corporate action.

February 2008

Notice Type

- Rule Amendment

Suggested Routing

- Operations
- Legal and Compliance
- Registration
- Senior Management

Key Topic(s)

- Automated Liability Notification System
- Buy-Ins
- Failure-to-Deliver

Referenced Rules & Notices

- NASD Rule 11810(i)

If the owing party delivers the securities in response to the liability notice, it has met its delivery obligation. If the owing party fails to deliver the securities in sufficient time for the owed party to participate in the voluntary corporate action, it will be liable for any damages that may accrue thereby. The onus is on the owed party to communicate its intentions to the owing party and to prove that the owing party received the liability notice.

Prior to the amendments discussed in this *Notice*, Rule 11810(i) required firms to send liability notices via “electronic media having immediate receipt capabilities.” Although there is currently no one acceptable means for sending and tracking liability notices, FINRA understands that it is industry practice to send liability notices via fax to the failing counterparty. Sending liability notices by fax is a manual, paper-intensive process that is subject to error. The financial risk to an owing firm that misses or incorrectly processes a liability notice relating to a voluntary corporate action can be considerable.

In response to industry need for a reliable and uniform method of transmitting liability notices, the Depository Trust Company (DTC) developed the SMART/Track for Corporate Action Liability Notification Service (SMART/Track), a Web-based system for the communication of liability notices that is currently available to all DTC participants. SMART/Track allows DTC participants and NSCC settling firms to create, send, process and track corporate action liability notices. Transmitting liability notices through SMART/Track eliminates paper liability notices and provides firms with an electronic, centralized system that distributes, manages and controls liability notices.

Amended NASD Rule 11810(i) mandates the use of the automated liability notification system when the parties to a contract are both participants in a registered clearing agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver. When either or both parties to a contract are not participants in a registered clearing agency that has an automated service for issuing liability notices, Rule 11810(i) continues to require the liability notice to be issued using written or comparable electronic media having immediate receipt capabilities.

Endnotes

- 1 See Securities Exchange Act Release No. 56972 (December 14, 2007), 72 FR 73927 (December 28, 2007) (SR-NASD-2007-035) (Order Granting Approval of a Proposed Rule Change Related to Mandated Use of an Automated Liability Notification System).

Attachment A

New language is underlined. Deleted language is bracketed.

* * * * *

11000. UNIFORM PRACTICE CODE

* * * * *

11800. CLOSE-OUT PROCEDURES

11810. Buying-In

(a) through (h) No change.

(i) Failure to Deliver and Liability Notice Procedures

(1) (A) If a contract is for warrants, rights, convertible securities or other securities which (i) have been called for redemption; (ii) are due to expire by their terms; (iii) are the subject of a tender or exchange offer; or (iv) are subject to other expiring events such as a record date for the underlying security and the last day on which the securities must be delivered or surrendered (the expiration date) is the settlement date of the contract or later the receiving member may deliver a Liability Notice to the delivering member as an alternative to the close-out procedures set forth in paragraphs (a) through (g). When the parties to a contract are both participants in a registered clearing agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, the transmission of the liability notice must be accomplished through the use of said automated notification service. When the parties to a contract are not both participants in a registered clearing agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, [S]such [N]notice must be issued using written or comparable electronic media having immediate receipt capabilities no later than one business day prior to the latest time and the date of the offer or other event in order to obtain the protection provided by this Rule.

(B) If the contract is for a deliverable instrument with an exercise provision and the exercise may be accomplished on a daily basis, and the settlement date of the contract to purchase the instrument is on or before the requested exercise date, the receiving member may deliver a Liability Notice to the delivering member no later than 11:00 a.m. on the day the exercise is to be effected. Notice may be redelivered immediately to another member but no later than noon on the same day. When the parties to a contract are both participants in a registered clearing agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, the transmission of the liability notice must be accomplished through use of said automated notification service. When the parties to a contract are not both participants in a registered clearing agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, [S]such [N]notice must be issued using written or comparable electronic media having immediate receipt capabilities. If the contract remains undelivered at expiration, and has not been canceled by mutual consent, the receiving member shall notify the defaulting member of the exact amount of the liability on the next business day.

(C) No change.

(2) through (4) No change.

* * * * *

Regulatory Pricing Proposal

FINRA and NYSE Filed Rule Changes with the SEC to Amend FINRA's Gross Income Assessment and Eliminate Certain NYSE Fees

Effective Date: Upon SEC Approval With an Implementation Date of January 1, 2008

Executive Summary

On July 30, 2007, NASD and the New York Stock Exchange (NYSE) consolidated their member regulation operations. The combined organization, renamed FINRA, was funded by the legacy NASD fee structure and certain fees collected under NYSE authority and remitted to FINRA. As part of the ongoing consolidation, FINRA has proposed a series of changes to its funding structure. This regulatory pricing proposal, if approved, and prior rebate commitment would result in savings to the securities industry of approximately \$25 million dollars annually.

Questions concerning this *Notice* should be directed to Finance, at (240) 386-5397; or the Office of General Counsel, at (202) 728-8071.

Background & Discussion

As a result of the consolidation of NASD and NYSE member regulation operations, FINRA had two streams of income funding its regulatory programs: (1) NASD-legacy member regulatory fees; and (2) certain NYSE fees that NYSE Regulation agreed to transfer to FINRA for the remainder of 2007.

February 2008

Notice Type

- Proposed Rule Amendments

Suggested Routing

- Compliance
- Legal
- Operations
- Senior Management

Key Topic(s)

- Regulatory Fees
- Gross Income Assessment
- Gross FOCUS Fees
- Registration Fees

Referenced Rules & Notices

- Sections 1 and 2 of Schedule A of the By-Laws
- NYSE Rule 129

After careful review of the combined NASD and NYSE-transferred fees, FINRA has proposed to amend its fee structure to accomplish the following:

- (1) eliminate duplicative registration fees for branch offices and registered representatives;
- (2) maintain NASD's legacy fee structures and levels for its Trading Activity Fee, Branch Office Assessment and Personnel Assessment; and
- (3) consolidate NASD's Gross Income Assessment (GIA) rate structure with NYSE Regulation's Gross FOCUS Fee (GFF) rate structure.

To effect these changes, both NYSE¹ and FINRA² have filed rule proposals with the SEC. In its rule filing, FINRA has proposed that the minimum assessment under the GIA of \$1,200 remain, but that the annual gross revenue ceiling be increased from \$960,000 to \$1 million.³ Because FINRA previously committed to a GIA rebate of \$1,200 per year for five years, subject to annual Board approval, this effectively reduces the GIA rate to \$0 for the first \$1 million of annual gross revenue. For annual gross revenues assessed above \$1 million, the regressive rate structure of the legacy GIA and the flat NYSE GFF rate structure would be combined into a tiered rate structure.

Under the rule proposal, member firms would be assessed a GIA of:

- (1) \$1,200 on annual gross revenue up to \$1 million;
- (2) 0.1215 percent of annual gross revenue greater than \$1 million up to \$25 million;
- (3) 0.2599 percent of annual gross revenue greater than \$25 million up to \$50 million;
- (4) 0.0518 percent of annual gross revenue greater than \$50 million up to \$100 million;
- (5) 0.0365 percent of annual gross revenue greater than \$100 million up to \$5 billion;
- (6) 0.0397 percent of annual gross revenue greater than \$5 billion up to \$25 billion; and
- (7) 0.0855 percent of annual gross revenue greater than \$25 billion.

Implementation

To minimize the impact on member firms, FINRA will implement the new rate structure over a three-year period beginning in 2008. During this period, the change in the GIA paid to FINRA by each member would be subject to a cap based on the fees that the member would have paid under the prior rate structures:

- In 2008, the new rate structure will not impact a firm's GIA.
- In 2009, FINRA will apply a five-percent cap on any increase or decrease to a firm's GIA resulting from the new rate structure.
- In 2010, FINRA will apply a ten-percent cap on any increase or decrease to a firm's GIA resulting from the new rate structure.

Please note that during this implementation period, a firm's GIA may increase or decrease due to a change in the member's assessable revenue from year to year; however, any changes to the firm's GIA that results from the change in rate structure will be subject to the cap.

In addition, the new fee structure will be phased in based on the firm's membership affiliation:

- ▶ For **NASD-only members** (as of July 30, 2007) and **FINRA members** (on or after July 30, 2007, excluding NYSE-only members required to become FINRA members pursuant to NYSE Rule 2), the cap will be calculated based on the GIA that the member firm would have paid under the prior NASD GIA rate structure.
- ▶ For **NYSE-only members** (as of July 30, 2007), the cap will be calculated based on the NYSE GFF that the firm would have paid under the prior NYSE GFF rate structure.⁴
- ▶ For **Dual Members** (firms that were members of both NASD and NYSE as of July 30, 2007), the cap will be calculated based on the GIA and the NYSE GFF that the firm would have paid under the prior NASD GIA rate structure and the prior NYSE GFF rate structure.

Overall Impact

FINRA estimates that the proposed fee structure will result in aggregate fee reductions to FINRA member firms of approximately \$25 million dollars annually—approximately \$18.6 million from the elimination of NYSE Regulation's registration fees and approximately \$6.4 million from the \$1,200 GIA rebate given to all FINRA member firms. FINRA estimates that, under the proposed rate structure, 93 percent of firms will have either an unchanged or reduced GIA. Certain firms with annual gross revenue exceeding \$35 million, however, will have an increase to their GIA under the proposed new rate structure.

SEC Request for Comment

The SEC requests comment on the regulatory pricing proposal. The comment period expires **February 28, 2008**. The rule proposal will be implemented upon SEC approval with a retroactive effective date of **January 1, 2008**.

Endnotes

- 1 In addition to the registration fees for branch offices and registered representatives, NYSE also eliminated its Regulation T credit extensions fee, statutory disqualification fees, FOCUS feedback fee, regulatory element fee and the series 7 qualifications exam fee by deleting these fees from the NYSE Price List. See Securities Exchange Act Release No. 57093 (December 31, 2007), 73 FR 1654 (January 9, 2008) (Notice of Filing and Immediate Effectiveness of SR-NYSE-2007-127).
- 2 Securities Exchange Act Release No. 57259 (February 1, 2008), 73 FR 7340 (February 7, 2008) (Notice of Filing of SR-FINRA-2008-001).
- 3 Gross revenue for assessment purposes is set out in Section 2 of Schedule A, which defines gross revenue as total income as reported on FOCUS form Part II or IIA, excluding commodities income.
- 4 In calculating the cap based on the GFF that a firm would have paid under the prior NYSE GFF rate structure, FINRA will use only that portion of the GFF that would have been transferred by NYSE to FINRA in 2007 (*i.e.*, 75 percent of the GFF paid by the firm).

Election Notice

District Elections

Nominees for the District Committees and District Nominating Committees

Executive Summary

The purpose of this *Election Notice* is to announce the nominees for the District Committees and the District Nominating Committees.¹

The individuals identified in this *Notice* have been nominated for the District Committees and District Nominating Committees, for terms beginning in June 2008. The term of office for District Committee members is three years, unless an individual was selected to complete an existing term. Each District Nominating Committee member serves a one-year term.² The length of the term of each nominee and the Committee for which they are being nominated are specified in Attachment A.

These nominees will be considered duly elected on April 11, 2008, to terms beginning June 1, 2008, unless an election is contested in accordance with the procedures summarized below.

A total of 262 individuals submitted their names for consideration. We appreciate the substantial interest shown by all of the candidates, and thank everyone for their continuing support of the self-regulatory process.

Note: This *Notice* was distributed electronically only to the Executive Representative of each FINRA member firm and is posted on FINRA's Web site at www.finra.org/Notices/Election/022708. Executive Representatives should circulate this *Notice* to their firm's branch managers.

Questions concerning this *Notice* may be directed to:

- The District Office contact noted in Attachment A;
- Marcia E. Asquith, Senior Vice President and Corporate Secretary, FINRA, at (202) 728-8831; or
- Via email at CorporateSecretary@finra.org.

February 27, 2008

Suggested Routing

- Compliance
- Executive Representatives
- Legal
- Operations
- Registration
- Senior Management

Background

Additional Candidates

If a person meets the qualifications, is eligible to serve,³ has not been nominated by a District Nominating Committee as a candidate or alternate, and wants to be considered for election to a District Committee or the District Nominating Committee, he or she must deliver a written notice to the District Director or Regional Director within 14 calendar days of the date of this *Notice*—**March 12, 2008**.

Petition Process

If an additional candidate or candidates come forward by March 12, 2008, the Corporate Secretary will provide each such candidate with a list of member firms eligible to vote in their District. The list will include the name of the Executive Representative and the mailing address for each firm.

To be considered for nomination, an additional candidate must submit a petition to the District Nominating Committee with signatures from at least 10 percent of Executive Representatives of member firms eligible to vote in the District within 30 calendar days of receipt of the list of members. If an additional candidate submits a petition with the requisite number of valid signatures by **April 11, 2008**, he or she will be considered nominated and the election will be considered contested.

Contested Election Procedures

If an election is contested, the Corporate Secretary of FINRA will send another *Election Notice* to the Executive Representatives of the FINRA member firms eligible to vote in the District announcing the names of the candidates nominated by the District Nominating Committee, the candidates who have petitioned to be on the ballot and the contested election procedures with instructions on how to vote.

Additional information pertaining to the District Election Procedures can be found in Article VIII of FINRA Regulation's By-Laws.

Endnotes

- 1 In addition to nominating a slate of candidates for each of these committees, each District Nominating Committee may nominate one alternate candidate for each committee. The nomination of alternate candidates is permitted under Section 8.17 of the By-Laws of FINRA Regulation. Attachment A identifies each District Nominating Committee's slate of nominees, plus alternate candidates (if any).
- 2 Some nominees are filling existing vacancies and therefore may serve less than a three-year term, as indicated on Attachment A.
- 3 To be eligible to serve, an individual must (1) be registered with a FINRA member firm eligible to vote in the District for District Committee elections and (2) work primarily from such FINRA member firm's principal office or a branch office that is located within the District where the member serves on a District Committee or District Nominating Committee. See Sections 8.2 or 8.9 of FINRA Regulation's By-Laws, as applicable.

District Committee and District Nominating Committee Nominees

District 1

Northern California (the counties of Monterey, San Benito, Fresno and Inyo, and the remainder of the state north or west of such counties), northern Nevada (the counties of Esmeralda and Nye, and the remainder of the state north or west of such counties) and Hawaii

Christian A. Zrull, District Director (415) 217-1100 One Montgomery Street, Suite 2100, San Francisco, CA 94104 (415) 956-1931 fax

District Nominating Committee Chair: Francis X. Roche II

Positions Being Filled in this Election:

- ▶ District Committee members to be elected to terms expiring May 31, 2011: 3
Total Number of Candidates Considered: 8
 - ▶ District Nominating Committee members to be elected to terms expiring May 31, 2009: 5
Total Number of Candidates Considered: 6
-

District Committee Nominees for Terms Expiring May 31, 2011

Christopher Aguilar	Merriman Curhan Ford & Co.	San Francisco, CA
Stephen Chipman	Foothill Securities, Inc.	Mountain View, CA
Philip J. Economopoulos	Howe Barnes Hoefler & Arnett, Inc.	San Francisco, CA

Alternate Candidate

Herbert Kurlan	VT Brokers, LLC	San Francisco, CA
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District Nominating Committee Nominees for Terms Expiring May 31, 2009

Howard A. Bernstein	Pacific Growth Equities, LLC	San Francisco, CA
William A. Evans	Stone & Youngberg, LLC	San Francisco, CA
Warren E. Gordon	Charles Schwab & Co.	San Francisco, CA
Bruce W. Nollenberger	Nollenberger Capital Partners, Inc.	San Francisco, CA
Daniel W. Roberts	Roberts & Ryan Investments Inc.	San Francisco, CA

Alternate Candidate

William A. Svoboda	Deutsche Bank Alex. Brown	San Francisco, CA
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District 2

Southern California (that part of the state south or east of the counties of Monterey, San Benito, Fresno and Inyo), southern Nevada (that part of the state south or east of the counties of Esmeralda and Nye) and the former U.S. Trust Territories

David A. Greene, District Director (213) 229-2300
300 South Grand Avenue, Suite 1600, Los Angeles, CA 90071-3126 (213) 617-3299 fax

District Nominating Committee Chair: Don S. Dalis

Positions Being Filled in this Election:

- District Committee members to be elected to terms expiring May 31, 2011: 3
 - District Committee members to be elected to terms expiring May 31, 2009: 1
Total Number of Candidates Considered: 17
 - District Nominating Committee members to be elected to terms expiring May 31, 2009: 5
Total Number of Candidates Considered: 6
-

District Committee Nominees for Terms Expiring May 31, 2011

Donna B. Lawson	First Allied Securities, Inc.	San Diego, CA
Kerry E. Cunningham	Financial Network Investment Corporation	El Segundo, CA
Westley H. King	Centarus Financial, Inc.	Orange, CA

District Committee Nominees to Serve the Remainder of a Term Expiring May 31, 2009

Mitchell W. Howard	First Wilshire Securities Management, Inc.	Pasadena, CA
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Alternate Candidate

S. Kendrick Dunn, Jr.	Pacific Select Distributors, Inc.	Newport Beach, CA
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District Nominating Committee Nominees for Terms Expiring May 31, 2009

Stephen B. Benton	Financial Network Investment Corporation	El Segundo, CA
James M. Dillahunty	Fixed Income Securities, LP	San Diego, CA
Kenneth R. Hyman	Partnervest Securities, Inc.	Santa Barbara, CA
Valorie A. Seyfert	CUSO Financial Services, LP	San Diego, CA
Bryan R. Plank	Merrill Lynch, Pierce, Fenner & Smith Incorporated	San Diego, CA

District 3

Arizona, Colorado, New Mexico, Utah and Wyoming

**Joseph M. McCarthy, Vice President and Regional Director
West Region**

(303) 446-3100
(303) 620-9450 fax

370 17th Street, Suite 2900, Denver, CO 80202-5629

Alaska, Idaho, Montana, Oregon and Washington

Michael E. Lewis, District Director

(206) 624-0790
(206) 623-2518 fax

601 Union Street, Suite 1616, Seattle, WA 98101-2327

District Nominating Committee Chair: Bridget M. Gaughan

Positions Being Filled in this Election:

- District Committee members to be elected to terms expiring May 31, 2011: 3
 - District Committee members to be elected to terms expiring May 31, 2009: 1
Total Number of Candidates Considered: 18
 - District Nominating Committee members to be elected to terms expiring
May 31, 2009: 5
Total Number of Candidates Considered: 5
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District Committee Nominees for Terms Expiring May 31, 2011

James R. Cannon	AIG Financial Advisors, Inc.	Phoenix, AZ
Adam M. Carmel	Larimer Capital Corporation	Denver, CO
Paige W. Pierce	RW Smith & Associates, Inc.	Sandy, UT

District Committee Nominee to Serve the Remainder of a Term Expiring May 31, 2009

Steven S. Iversen	NEXT Financial Group, Inc.	Albuquerque, NM
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Alternate Candidate

Russell R. Diachok	Geneos Wealth Management, Inc.	Centennial, CO
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District Nominating Committee Nominees for Terms Expiring May 31, 2009

Gregory R. Anderson	MCL Financial Group, Inc.	Denver, CO
Curtis J. Hammond	Morgan Stanley & Co., Incorporated	Bellevue, WA
Craig A. Jackson	Financial Network Investment Corporation	Roseburg, OR
Harry L. Striplin	Paulson Investment Company, Inc.	Portland, OR
Arlene M. Wilson	D.A. Davidson & Co.	Great Falls, MT

District 4

Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota

Thomas D. Clough, Associate Vice President and District Director (816) 421-5700
120 W. 12th Street, Suite 800, Kansas City, MO 64105 (816) 421-5029 fax

District Nominating Committee Chair: Joseph D. Fleming

Positions Being Filled in this Election:

- District Committee members to be elected to terms expiring May 31, 2011: 3
- District Committee members to be elected to terms expiring May 31, 2009: 1
Total Number of Candidates Considered: 27
- District Nominating Committee members to be elected to terms expiring
May 31, 2009: 5
Total Number of Candidates Considered: 5

District Committee Nominees for Terms Expiring May 31, 2011

Christopher A. Cokinis	ING Financial Partners, Inc.	Des Moines, IA
Cheryl L. Heilman	Ameritas Investment Corp.	Lincoln, NE
James E. Nelson	Minnesota Valley Investments	Redwood Falls, MN

District Committee Nominee to Serve the Remainder of a Term expiring May 31, 2009

Jennifer R. Relien	Thrivent Investment Management, Inc.	Minneapolis, MN
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Alternate Candidate

Amy L. Webber	Cambridge Investment Research, Inc.	Fairfield, IA
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District Nominating Committee Nominees for Terms Expiring May 31, 2009

Kenneth M. Cherrier	Woodbury Financial Services, Inc.	Woodbury, MN
Joseph D. Fleming	RBC Dain Rauscher Inc.	Minneapolis, MN
Mark T. Lasswell	Wells Fargo Brokerage Services, LLC	Minneapolis, MN
Allen J. Moore	SMITH HAYES Financial Services Corporation	Lincoln, NE
Minoos Spellerberg	Princor Financial Services Corporation	Des Moines, IA

District 5

Alabama, Arkansas, Louisiana, Mississippi, Oklahoma and Tennessee

Keith E. Hinrichs, District Director

1100 Poydras Street, Energy Centre, Suite 850

New Orleans, LA 70163

(504) 522-6527

(504) 522-4077 fax

District Nominating Committee Chair: Carolyn R. May

Positions Being Filled in this Election:

- ▶ District Committee members to be elected to terms expiring May 31, 2011: 3
Total Number of Candidates Considered: 12
 - ▶ District Nominating Committee members to be elected to terms expiring
May 31, 2009: 5
Total Number of Candidates Considered: 6
-

District Committee Nominees for Terms Expiring May 31, 2011

Rush F. Harding, III	Crews & Associates, Inc.	Little Rock, AR
Phillip H. Palmer	First Independent Financial Services, Inc.	Tulsa, OK
Sarah Sherck	Avondale Partners, LLC	Nashville, TN

Alternate Candidate

Mark Sheridan	Johnson Rice & Company, LLC	New Orleans, LA
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District Nominating Committee Nominees for Terms Expiring May 31, 2009

Michaela D. Myers	NAFA CapitalMarkets, LLC	Oklahoma City, OK
James S. Jones	Crews & Associates, Inc.	Little Rock, AR
Henry M. "Trey" Fyfe, III	Duncan-Williams, Inc.	Memphis, TN
F. Eugene Woodham	Sterne, Agee & Leach, Inc.	Birmingham, AL
R. Patrick Shepherd	Avondale Partners, LLC	Nashville, TN

Alternate Candidate

Jennifer Carty Scola	Carty & Company, Inc.	Memphis, TN
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District 6

Texas

Virginia F. M. Jans, Senior Vice President and Regional Director (972) 701-8554
South Region (972) 716-7646 fax
 12801 N. Central Expressway, Suite 1050, Dallas, TX 75243

District Nominating Committee Chair: William D. Felder

Positions Being Filled in this Election:

- ▶ District Committee members to be elected to terms expiring May 31, 2011: 3
 Total Number of Candidates Considered: 19
- ▶ District Nominating Committee members to be elected to terms expiring
 May 31, 2009: 5
 Total Number of Candidates Considered: 7

District Committee Nominees for Terms Expiring May 31, 2011

Darla Bartkowiak	Amherst Securities Group, LP	Austin, TX
Frederick T. Greene	Raymond James Financial Services, Inc.	The Woodlands, TX
Wilson Williams	WFG Investments, Inc.	Dallas, TX

Alternate Candidate

Jane Bates	Global Financial Services, LLC	Houston, TX
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District Nominating Committee Nominees for Terms Expiring May 31, 2009

Cynthia E. Besek	Maplewood Investment Advisors, Inc.	Dallas, TX
Bryan T. Emerson	Starlight Investments, LLC	Houston, TX
Brent T. Johnson	Multi-Financial Securities Corporation	Houston, TX
William H. Lowell	Lowell & Company, Inc.	Lubbock, TX
Michael A. Pagano	1st Global Capital Corp.	Dallas, TX

Alternate Candidate

Sennett Kirk, III	Kirk Securities Corporation	Denton, TX
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District 7

Georgia, North Carolina and South Carolina

Daniel J. Stefek, Associate Vice President and District Director (404) 239-6100
 One Securities Centre, Suite 500, 3490 Piedmont Road, NE (404) 237-9290 fax
 Atlanta, GA 30305

Florida, Puerto Rico, the Canal Zone and the Virgin Islands

Mitchell C. Atkins, Vice President and District Director (561) 443-8000
 Crystal Corporate Center, 2500 N. Military Trail, Suite 302 (561) 443-7995 fax
 Boca Raton, FL 33434

District Nominating Committee Chair: Dennis S. Kaminski

Positions Being Filled in this Election:

- ▶ District Committee members to be elected to terms expiring May 31, 2011: 3
- ▶ District Committee members to be elected to terms expiring May 31, 2009: 1
 Total Number of Candidates Considered: 24
- ▶ District Nominating Committee members to be elected to terms expiring
 May 31, 2009: 5
 Total Number of Candidates Considered: 10

District Committee Nominees for Terms Expiring May 31, 2011

Richard K Bryant	Capital Investment Group, Inc.	Raleigh, NC
Matthew A. Guerrise	FMSBonds, Inc.	Boca Raton, FL
Raymond H. Smith, Jr.	Smith, Brown & Groover, Inc.	Macon, GA

District Committee Nominee to Serve the Remainder of a Term Expiring May 31, 2009

Ruth A. Burgess	INVEST Financial Corp.	Tampa, FL
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Alternate Candidate

Caroline Wisniewski	Bridge Capital Associates, Inc.	Norcross, GA
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District Nominating Committee Nominees for Terms Expiring May 31, 2009

Richard G. Averitt	Raymond James Financial Services, Inc.	St. Petersburg, FL
William G. McMaster	Scott & Stringfellow, Inc.	Columbia, NC
Charles F. O’Kelley	Atlantic Coast Securities Corporation	Tampa, FL
Kenneth W. McGrath	Popular Securities, Inc.	San Juan, PR
Alan L. Maxwell, Jr.	Wachovia Capital Markets, LLC	Charlotte, NC

Alternate Candidate

C. John O’Bryant III	Stifel, Nicolaus & Company, Incorporated	Raleigh, NC
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District 8

Illinois, Indiana, Kentucky, Michigan, Ohio and Wisconsin

Carla A. Romano, Senior Vice President and Regional Director (312) 899-4400
Midwest Region (312) 899-4399 fax
 55 West Monroe Street, Suite 2700, Chicago, IL 60603-5052

District Nominating Committee Chair: Ruth C. Hannenberg

Positions Being Filled in this Election:

- ▶ District Committee members to be elected to terms expiring May 31, 2011: 3
 Total Number of Candidates Considered: 17
- ▶ District Nominating Committee members to be elected to terms expiring May 31, 2009: 5
 Total Number of Candidates Considered: 10

District Committee Nominees for Terms Expiring May 31, 2011

Jeffrey F. Freiburger	Robert W. Baird & Co.	Milwaukee, WI
Edward A. Horwitz	Horwitz & Associates, Inc.	Riverwoods, IL
James P. Miller	SII Investments, Inc.	Appleton, WI

Alternate Candidate

Gary K. Moss	Stifel, Nicolaus & Company, Inc.	Indianapolis, IN
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District Nominating Committee Nominees for Terms Expiring May 31, 2009

Richard M. Arceci	ValMark Securities, Inc.	Akron, OH
Michael E. Bosway	City Securities Corporation	Indianapolis, IN
Mari Buechner	Coordinated Capital Securities, Inc.	Madison, WI
Ronald J. Dieckman	J.J.B. Hilliard, W.L. Lyons, Inc.	Louisville, KY
Thomas M. McDonald	Thomas McDonald Partners, LLC	Cleveland, OH

Alternate Candidate

Joseph R.V. Romano	Romano Brothers & Co.	Evanston, IL
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District 9

New Jersey and New York (except for the counties of Nassau and Suffolk, and the five boroughs of New York City)

Gary K. Liebowitz, Senior Vice President and Regional Director (732) 596-2025
North Region (732) 596-2001 fax
581 Main Street, 7th Floor, Woodbridge, NJ 07095

Delaware, the District of Columbia, Maryland, Pennsylvania, Virginia and West Virginia

Robert B. Kaplan, District Director (215) 963-1992
1835 Market Street, Suite 1900, Philadelphia, PA 19103 (215) 963-7442 fax

District Nominating Committee Chair: A. Louis Denton

Positions Being Filled in this Election:

- ▶ District Committee members to be elected to terms expiring May 31, 2011: 3
Total Number of Candidates Considered: 24
 - ▶ District Nominating Committee members to be elected to terms expiring
May 31, 2009: 5
Total Number of Candidates Considered: 5
-

District Committee Nominees for Terms Expiring May 31, 2011

Nancy L. H. Boyd	Lincoln Investment Planning, Inc.	Wyncote, PA
Celeste Leonard	First Montauk Securities Corp.	Red Bank, NJ
Sarah McCafferty	T. Rowe Price Investment Services, Inc.	Baltimore, MD

Alternate Candidate

Kenneth I. Schindler	Prudential Investment Management Services, LLC	Iselin, NJ
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District Nominating Committee Nominees for Terms Expiring May 31, 2009

Michael T. Corrao	Knight Equity Markets, LP	Jersey City, NJ
A. Louis Denton	Petersen Investments, Inc.	Blue Bell, PA
Richard Grobman	Oppenheimer & Co. Inc.	Philadelphia, PA
John P. Meegan	Hefren-Tillotson, Inc.	Pittsburgh, PA
Stephen M. Youhn	Lincoln Financial Advisors Corporation	Philadelphia, PA

District 10

New York (the counties of Nassau and Suffolk, and the five boroughs of New York City)

Hans L. Reich, Senior Vice President and Regional Director (212) 858-4000
New York Region (212) 858-4078 fax
 One Liberty Plaza, 49th Floor, 165 Broadway, New York, NY 10006

District Nominating Committee Chair: Margaret M. Caffrey

Positions Being Filled in this Election:

- ▶ District Committee members to be elected to terms expiring May 31, 2011: 4
- ▶ District Committee members to be elected to terms expiring May 31, 2010: 1
Total Number of Candidates Considered: 8
- ▶ District Nominating Committee members to be elected to terms expiring May 31, 2009: 5
Total Number of Candidates Considered: 6

District Committee Nominees for Terms Expiring May 31, 2011

Cynthia Dowling	SEB Enskilda, Inc.	New York, NY
Eric L. Kriftcher	Banc of America Securities LLC	New York, NY
Thomas J. Santucci	Royal Alliance Associates, Inc.	Garden City, NY
David M. Sobel	Able/Noser Corp.	New York, NY

District Committee Nominee to Serve the Remainder of a Term Expiring May 31, 2010

James A. Brodie	Jesup & Lamont Securities Corp.	New York, NY
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Alternate Candidate

Vlad Uchenik	Safdie Investment Services Corp.	New York, NY
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District Nominating Committee Nominees for Terms Expiring May 31, 2009

Lon T. Dolber	American Portfolios Financial Services	Holbrook, NY
Judith R. MacDonald	Rothschild Inc.	New York, NY
Howard R. Plotkin	Lehman Brothers Inc.	New York, NY
Clifford H. Goldman	Marco Polo Securities Inc.	New York, NY
Howard Spindel	Integrated Management Solutions USA LLC	New York, NY

Alternate Candidate

Shana Madoff	Bernard L. Madoff Investment Securities LLC	New York, NY
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District 11

Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont

Frederick F. McDonald, Jr., District Director (617) 532-3401
99 High Street, Suite 900, Boston, MA 02110 (617) 451-3524 fax

District Nominating Committee Chair: Thomas J. Horack

Positions Being Filled in this Election:

- District Committee members to be elected to terms expiring May 31, 2011: 3
 - District Committee members to be elected to terms expiring May 31, 2010: 1
 - District Committee members to be elected to terms expiring May 31, 2009: 1
Total Number of Candidates Considered: 16
 - District Nominating Committee members to be elected to terms expiring
May 31, 2009: 5
Total Number of Candidates Considered: 6
-

District Committee Nominees for Terms Expiring May 31, 2011

Vincent M. Manzi	State Street Global Markets, LLC	Boston, MA
Victoria L. Olson	Prudential Annuities Distributors	Shelton, CT
Stephen L. Schardin	Charles River Brokerage, LLC	Burlington, MA

District Committee Nominee to Serve the Remainder of a Term Expiring May 31, 2010

David J. Freniere	LPL Financial Corporation	Boston, MA
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District Committee Nominee to Serve the Remainder of a Term Expiring May 31, 2009

Edward J. Wiles, Jr.	Genworth Financial Securities Corp.	Stamford, CT
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Alternate Candidate

Michael J. Mahoney	John Hancock Funds, LLC	Boston, MA
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District Nominating Committee Nominees for Terms Expiring May 31, 2009

David K. Booth	Jefferson Pilot Securities Corp.	Concord, NH
John I. Fitzgerald	Leerink Swann, LLC	Boston, MA
Joseph Gritzer	USI Securities, Inc.	Glastonbury, CT
Thomas Horack	Sun Life Financial Distributors	Wellesley Hills, MA
Curtis L. Snyder	American Technology Research, Inc.	Greenwich, CT

Trade Reporting Notice

Guidance on Reporting Electronic Communications Network (ECN) Transactions

Executive Summary

This *Notice* addresses several inquiries regarding whether FINRA's current trade reporting rules require firms to submit a "non-media report" (*i.e.*, a report that is submitted for clearing or regulatory purposes, but not for public dissemination)¹ to reflect the offsetting leg of an over-the-counter transaction where an ECN matches two FINRA member firms.

Questions regarding this *Notice* may be directed to the Legal Section, Market Regulation, at (240) 386-5126; or the Office of General Counsel, at (202) 728-8071.

Discussion

Generally, there are three parties to a trade executed on an Electronic Communications Network (ECN)—the ECN and the two parties with orders matched on the ECN. Where an ECN is matching two FINRA member firms, the report that is submitted to FINRA for public dissemination (the "media report") identifies the ECN and one of the firms.² For example, an ECN matches the orders of two FINRA members, Firm 1 and Firm 2, and executes the trade. The media report in this example would identify the ECN and one of the firms (*e.g.*, Firm 1) as the executing parties.

Currently, in addition to the media report, many ECNs submit a non-media report to reflect the offsetting leg of the transaction, particularly if the ECN needs to clear that leg through a FINRA facility. Thus, in the example above, the non-media report would identify the ECN and Firm 2 as the executing parties to the trade. This method of reporting is allowable under FINRA trade reporting rules and enhances FINRA's audit trail and staff's ability to surveil for compliance by firms with applicable rules and regulations. However, while such reporting is allowable, presently, FINRA trade reporting rules do not require submission of a non-media report in this instance.

February 19, 2008

Key Topic(s)

- Alternative Display Facility
- Electronic Communications Network (ECN)
- OTC Reporting Facility
- Trade Reporting
- Trade Reporting Facilities

Referenced Rules & Notices

- NASD Rules 6130, 6130C and 6130E

However, it should be noted that FINRA intends to file a proposed rule change in the near future to amend its trade reporting rules to require that non-media report(s) be submitted where necessary to identify a member firm that was a party to the trade and did not appear on the media report. Firms may wish to take this into account before changing any reporting protocols with respect to non-mandatory, but allowable, non-media reports.

Endnotes

- 1 Non-media reports can be (1) “non-media, non-clearing,” meaning that the report is submitted to FINRA solely for regulatory purposes, or (2) “clearing-only,” meaning that the report is submitted to FINRA for clearing; i.e., for submission by FINRA to the National Securities Clearing Corporation (and perhaps also regulatory purposes).
- 2 This *Notice* does not address the issue of whether or when an ECN has the obligation to report a trade to FINRA versus one of the parties to the transaction under the trade reporting rules. *See, e.g.*, NASD Rules 6130(c)(5), 6130C(c)(5) and 6130E(c)(5).

Trade Reporting Notice

FINRA Announces Modifications to the TRACE System Relating to Certain Securities with Equity CUSIPs and Reminds Firms of Their Reporting Obligations Regarding Equity-Linked Notes and Convertible Debt

Executive Summary

FINRA has modified the TRACE System to accept equity CUSIPs, and reminds member firms that they must report transactions to TRACE in securities that are “TRACE-eligible securities,” such as unlisted convertible debt, unlisted equity-linked notes and similar debt securities. FINRA reminds firms that only unlisted convertible debt and unlisted equity-linked notes are treated as debt for purposes of trade reporting; convertible debt and equity-linked notes that are *listed* on a national securities exchange must be reported to the appropriate equity trade reporting facility.

Questions concerning this *Notice* should be directed to:

- tracefeedback@finra.org;
- FINRA Operations, at (866) 776-0800;
- Elliot Levine, Chief Counsel, Transparency Services, at (202) 728-8405;
- Patrick Geraghty, Director, Market Regulation, at (240) 386-4973; or
- Office of General Counsel, at (202) 728-8071.

Discussion

FINRA has modified the Trade Reporting and Compliance Engine (TRACE) System to accept transaction reports for TRACE-eligible securities that have equity CUSIPs.¹ Previously, when a transaction report was submitted for a TRACE-eligible security that had an equity CUSIP, the TRACE System was unable to accept and process the transaction report. With this modification, firms may report transactions to TRACE in specific TRACE-eligible securities—such as equity-linked notes and similar securities having an equity CUSIP—using the same processes and systems used to report all other TRACE-eligible securities. Under NASD Rule 6230, firms must report such transactions to TRACE within 15 minutes of the time of execution.

February 22, 2008

Key Topic(s)

- Convertible Debt
- Debt Securities with Equity CUSIPs
- Equity-Linked Notes

Referenced Rules & Notices

- NASD Rule 6200 Series

Submitting CUSIP Information to FINRA

FINRA is working to update information in the TRACE Issue Master to include TRACE-eligible securities that have equity CUSIPs. However, firms may become aware of securities that were assigned equity CUSIPs that should be reported to TRACE, but that are not listed in the TRACE Issue Master.

A firm that is an underwriter in a distribution or offering of a TRACE-eligible security (excluding a secondary distribution or offering) must notify FINRA Operations of the CUSIP and other information identifying the security, as specified in NASD Rule 6260(b).² The firm must notify FINRA no later than 5 p.m., Eastern Time on the business day preceding the day that the registration statement becomes effective; or, if registration is not required, the day before the securities will be priced, with certain exceptions.³ In addition, if a firm has a reporting obligation under NASD Rule 6230 in a security that is TRACE-eligible but not included in the TRACE Issue Master, the firm must notify FINRA immediately and provide the CUSIP and other information necessary for FINRA to update the TRACE Issue Master and enable the firm to report its transaction to TRACE promptly and comply with its obligations under NASD Rule 6230.⁴ Finally, if a firm other than an underwriter of a TRACE-eligible security or a firm with a trade reporting obligation is aware that a TRACE-eligible security has not been included in the TRACE Issue Master, FINRA requests that the firm notify it promptly of the CUSIP and other information identifying the security.

When providing information about a security that should be listed in the TRACE Issue Master, firms should contact FINRA at TRACENewIssues@finra.org to provide CUSIP and other information about the security.

Treatment of Certain Securities for Reporting Purposes

FINRA also is reminding firms that convertible debt and equity-linked notes that are *not listed* on a national securities exchange are considered debt securities for purposes of trade reporting and must be reported to TRACE. However, when these securities are *listed* on a national securities exchange and traded over-the-counter, they must be reported to FINRA's Alternative Display Facility or one of FINRA's Trade Reporting Facilities.

Endnotes

- 1 CUSIP stands for Committee on Uniform Securities Identification Procedures and is a registered trademark of Standard and Poor's, Inc. (S&P). Each security is assigned a unique CUSIP by a service administered by S&P. The configuration of an equity CUSIP differs from a debt CUSIP. When the TRACE System was built, it was not designed to accept equity CUSIPs.
- 2 NASD Rule 6260(b) requires that the notice contain the CUSIP, the issuer name, the coupon rate, the maturity, whether Rule 144A applies, a brief description of the issue and other information that FINRA may deem necessary. If a firm has not obtained the CUSIP at the time it must notify FINRA, other information may be required to identify the security accurately.
- 3 Under NASD Rule 6260(b), there are different deadlines for certain offerings, such as intra-day offerings under Rule 415 promulgated under the Securities Act of 1933.
- 4 The firm should provide the CUSIP and same type of information as set forth in NASD Rule 6260 and referenced above for FINRA to update the TRACE Issue Master accurately.

Information Notice

FINRA Secures Relief for Member Firms for Certain Record Retention Requirements

Effective Date: February 19, 2008

Executive Summary

Effective February 19, 2008, FINRA member firms can rely on Web CRD to satisfy their record retention requirements with respect to certain Forms U4, U5 and BR filed in Web CRD. Member firms are no longer required to maintain hard copies and/or electronic images of these forms, provided they adhere to the terms of the no-action relief granted by the staff of the SEC.

Questions concerning this *Notice* should be directed to Richard E. Pullano, Chief Counsel and Associate Vice President, Registration and Disclosure, at (240) 386-4821; or John D. Nachmann, Senior Counsel, Registration and Disclosure, at (240) 386-4816.

Discussion

The Central Registration Depository (CRD® or Web CRD) is the secure Web-based registration and licensing system for the U.S. securities industry. FINRA owns and operates Web CRD and jointly administers it with the North American Securities Administrators Association. FINRA makes Web CRD available to all state securities regulators, other securities self-regulatory organizations and the Securities and Exchange Commission (SEC). The system was created, in large part, to centralize the registration process for broker-dealers and their personnel and to accommodate the “one-stop” filing process, rather than requiring applicants/registrants to file separately in multiple jurisdictions. In addition to processing these registration forms, Web CRD serves as an online data repository for the registration-related information that is filed. All broker-dealers registered

February 21, 2008

Suggested Routing

- Compliance
- Legal
- Registered Representatives
- Registration
- Senior Management

Key Topics

- CRD
- Form U4 (the Uniform Application for Securities Industry Registration and Transfer)
- Form U5 (the Uniform Termination Notice for Securities Industry Registration)
- Form BR (the Uniform Branch Registration Form).
- Record Retention

Referenced Rules & Notices

- Securities Exchange Act Rule 17a-4

or applying for registration with the SEC are required to file uniform registration forms through Web CRD, including Forms U4 (the Uniform Application for Securities Industry Registration and Transfer), U5 (the Uniform Termination Notice for Securities Industry Registration) and BR (the Uniform Branch Registration Form).

Under the record retention requirements of Exchange Act Rule 17a-4, broker-dealers are required to maintain all uniform registration forms (either in hard copy or as images maintained on the firms' internal electronic systems) that they file on Web CRD. Due to the comprehensive nature of the information collected on the uniform registration forms and the volume of required filings, retaining such forms can be burdensome on broker-dealers. Since the uniform registration forms are maintained on Web CRD, which employs rigorous entitlement, security, audit and data integrity safeguards, FINRA, on behalf of its member firms, requested no-action relief from the record retention requirements of Rule 17a-4 for certain uniform registration forms filed through Web CRD.

On February 19, 2008, staff of the SEC's Division of Trading and Markets granted FINRA's request in a no-action letter. The letter provides assurances that the SEC will not recommend enforcement action under Rule 17a-4 against FINRA member firms that rely on Web CRD to satisfy their record retention requirements, under the terms and conditions described in the letter, with respect to the following uniform registration forms:

- ▶ Form U4 amendments that do not require the registered person's signature (initial Forms U4 and any amendments that provide disclosure information must be signed by the registered person on whose behalf the filing is made and are not covered by the no-action relief);
- ▶ Form U5 Filings (both initial Forms U5 and any amendments) that do not require the registered person's signature; and
- ▶ Form BR Filings (both initial Forms BR and any amendments).

The no-action relief is limited to the form filings identified above, which: (a) are submitted by a FINRA member firm under the entitlement/security/audit capabilities described in FINRA's September 28, 2007, letter; (b) are filed by a FINRA member firm under the firm's Web CRD account; and (c) contain an electronic signature of the "appropriate signatory" of the FINRA member firm.

Therefore, FINRA member firms may rely on Web CRD to satisfy their record retention requirements under Exchange Act Rule 17a-4 with respect to the uniform forms mentioned above, so long as the necessary requirements are met.

This *Notice* is for informational purposes only. Firms seeking to rely on the no-action relief should refer to FINRA's letter requesting the relief and the SEC staff's response, which are available at www.finra.org/Notices/Information/022108.

Disciplinary and Other FINRA Actions

Firm Expelled, Individuals Sanctioned

Perpetual Securities, Inc. (CRD #36841, Forest Hills, New York), Cathy Yiping Huang (CRD #2370253, Registered Principal, Holmdel, New Jersey) and Youwei Paul Xu (CRD #2370245, Registered Principal, Holmdel, New Jersey). The firm was expelled from association with any FINRA member in any capacity. Huang and Xu were barred from association with any FINRA member in any capacity. The sanctions were affirmed by the Securities and Exchange Commission (SEC) following the appeal of a National Adjudicatory Council (NAC) decision. The sanctions were based on findings that Xu and Huang allowed the firm to operate a securities business while its FINRA registration was suspended. Additionally, Huang was suspended for two years for failing to respond timely and completely to FINRA requests for information. (FINRA Case #C9B20040059)

Firms Fined, Individuals Sanctioned

Redwood Securities Group, Inc. (CRD #27536, San Francisco, California) and Aditya B. Mukerji (CRD #342216, Registered Principal, Oakland, California) submitted an Offer of Settlement in which the firm was censured, fined \$20,000 and required to retain—within 60 days of acceptance of this Offer of Settlement—an independent consultant (IC) to conduct a comprehensive quarterly review of, at a minimum, the firm's balance sheet, schedule of accrued liabilities, checks received and disbursed blotter, bank reconciliations, general ledger, trial balance and net capital computation for one year, and to require the IC to submit four quarterly reviews to the firm and FINRA to address—at a minimum—the adequacy of the firm's financial records, a description of the review performed and conclusions reached, and the IC's recommendations for modifications and additions to the firm's record-keeping systems, which the firm shall adopt and implement or propose alternatives acceptable to the IC. Mukerji was fined \$77,500 and suspended from association with any FINRA member in any capacity for 45 days.

Without admitting or denying the allegations, the firm and Mukerji consented to the described sanctions and to the entry of findings that the firm, through Mukerji, filed materially inaccurate Financial and Operations Combined Uniform Single (FOCUS) reports, and some reports indicated they were filed by an individual who had resigned from the firm before Mukerji filed the FOCUS reports. The findings stated that the firm, acting through Mukerji, failed to accurately compute the firm's net capital, failed to keep a current trial balance, failed to keep and maintain a general ledger, failed to maintain a complete checks received and disbursed blotter and computed its aggregate indebtedness incorrectly. The findings also stated that the firm, acting through Mukerji, conducted a securities business while failing to maintain the minimum required net capital. The findings included that the firm failed to timely file its annual audit and FOCUS reports and its Schedule I of Form X-17A-5 with FINRA.

Reported for February 2008

FINRA® has taken disciplinary actions against the following firms and individuals for violations of NASD rules; federal securities laws, rules and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB).

FINRA found that the firm, acting through Mukerji, conducted a securities business and submitted financial reports while failing to employ and register a financial and operations principal (FINOP), and failed to request or receive a waiver of the FINOP requirement. FINRA also found that the firm, acting through Mukerji, failed to file an application for approval of change of ownership with FINRA when an individual began making capital contributions to the firm in return for equity ownership in the firm. In addition, FINRA determined that Mukerji willfully failed to disclose material facts on his Uniform Application for Securities Industry Registration or Transfer (Form U4).

Mukerji's suspension in any capacity is in effect from January 28, 2008, through March 12, 2008. (FINRA Cases #E0120050070/20060040112/20060043082/20060046541)

Thomas Group Capital (CRD #112901, Atlanta, Georgia) and Thomas Borbone (CRD #1713376, Registered Principal, Atlanta, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$50,000 and prohibited from offering hedge fund interests or opening new hedge fund accounts for six months, and thereafter suspended from offering hedge fund interests or opening new hedge fund accounts until the firm has submitted revised written supervisory procedures to FINRA that satisfactorily address the supervision of hedge fund offerings. The firm was also required to pre-file all customer advertisements and sales literature relating to hedge funds with FINRA for six months, beginning with the first use of such sales communications following the suspension from offering hedge fund interest and opening new hedge fund accounts. Borbone was suspended from association with any FINRA member in any principal capacity for three months. In light of Borbone's financial status, no monetary sanctions were imposed.

Without admitting or denying the findings, the firm and Borbone consented to the described sanctions and to the entry of findings that the firm and Borbone failed to supervise the sale of hedge fund interests by registered representatives to public customers. The findings stated that there was no review or endorsement by a registered principal of transactions in hedge fund interests; and sales of hedge fund interests were not subjected to principal review for suitability of recommendations. The findings also stated that due diligence reviews of hedge fund offering documents prior to sales by representatives were inadequate.

The firm's prohibition is in effect from December 28, 2007, through June 27, 2008. Borbone's suspension in any principal capacity is in effect from February 4, 2008, through May 3, 2008. (FINRA Case #2005000323701)

Firms and Individuals Fined

E. Magnus Oppenheim & Co. Inc. (CRD #14268, New York, New York) and E. Magnus Oppenheim (CRD #353111, Registered Principal, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$17,500 and required to file with FINRA within 60 days, all sales literature and advertisements, including but not limited to annual or semi-annual client letters, print ads, performance updates and Web site content that the firm currently uses. Oppenheim was censured, fined \$10,000 and must have completed six hours of continuing education relating to compliance with NASD rules and federal securities laws regarding advertising and/or use of the internet in connection with offerings of securities within 90 days.

Without admitting or denying the findings, the firm and Oppenheim consented to the described sanctions and to the entry of findings that they posted information regarding the benefits and advantages of investing in an unregistered private limited partnership on the firm's Web site, and failed to register the fund with the SEC in violation of SEC Rule 506 of Regulation D. The findings stated that although no sales of interest in the private limited partnership were made through the Web site, the material published on the firm's Web site regarding the fund constituted a general solicitation of investors. The findings also stated that the firm and Oppenheim published material on the firm's Web site regarding the purported benefits and advantages of investing in the fund without providing a balanced disclosure of risks associated with the investment to provide a sound basis for evaluating the facts regarding an investment in the fund. **(FINRA Case #2006004863601)**

N.I.S. Financial Services, Inc. (CRD #5361, Kansas City, Missouri) and Carol Sharpe Boone (CRD #722594, Registered Principal, Lee's Summit, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which the firm and Boone were censured and fined \$70,000, jointly and severally. The firm was fined an additional \$20,000. Without admitting or denying the findings, the firm and Boone consented to the described sanctions and to the entry of findings that in connection with the sale of joint investments in life insurance and mutual funds, the firm failed to forward customer funds promptly and to comply with the requirements set forth in SEC Rule 15c3-3(k)(1) under which it operated, including maintaining a Special Reserve Account for the Exclusive Benefit of Customers. The findings stated that the firm, acting through Boone, failed to implement a supervisory system to review and retain electronic correspondence its associated persons received and/or sent. The findings also stated that the firm, acting through Boone, failed to establish written supervisory procedures for supervisory approval to changes in account names or designation; limitations on holding customer mail, maintaining internal communications and establishing adequate controls over the firm's internal communications system; and review and retention of associated persons' correspondence. The findings also included that the firm, acting through Boone, failed to implement a supervisory inspection program of its non-branch office locations, and the firm conducted no onsite inspections of these locations even though the SEC had previously warned the firm that its failure to conduct non-branch office inspections was a violation of securities rules and regulations. **(FINRA Case #20060039815-01)**

Royal Alliance Associates, Inc. (CRD #23131, New York, New York) and Michael Patrick Contillo (CRD #1525574, Registered Principal, Massapequa, New York) submitted Letters of Acceptance, Waiver and Consent in which the firm was censured, fined \$50,000, ordered to pay \$2,767.30, plus interest, in restitution to public customers and required to revise its written supervisory procedures regarding fair pricing of, and markups on, municipal bond transactions. Contillo was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that the firm failed to purchase municipal securities for its own account from a customer or sell municipal securities for its own account to a customer at an aggregate price (including any markdown or markup) that was fair and reasonable, taking into consideration all relevant factors, including the firm's best judgment as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the firm was entitled to a profit and the transaction's total dollar amount.

The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and Municipal Securities Rulemaking Board (MSRB) rules concerning its fair pricing of and markups on municipal bond transactions. The findings also stated that the firm's supervisory system did not include written supervisory procedures providing for reviews for compliance with MSRB Rule G-30, and the firm was unable to produce sufficient evidence to FINRA of completion of these supervisory steps. The findings also included that the firm failed to ensure that Contillo, who managed the trader that executed the municipal transactions and was also assigned such supervisory responsibilities as oversight of the equity and fixed-income trades of the firm's Trading Desk, was properly registered as either a municipal securities principal or a general securities principal. Additionally, without admitting or denying the findings, Contillo consented to the described sanctions and to the entry of findings that he was manager of certain traders who executed municipal transactions and was assigned such supervisory responsibilities as oversight of the equity and fixed-income trades of the firm's Trading Desk, and that he failed to ensure that he was properly registered as either a municipal securities principal or a general securities principal. **(FINRA Cases #20050001577-01/20050001577-02)**

Firms Fined

Administrative Systems, Inc. (CRD #125997, Seattle, Washington) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$15,000, \$5,000 of which was jointly and severally with an individual. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it used the mails or other means or instrumentalities of interstate commerce to effect transactions in securities when it failed to maintain the minimum required net capital. The findings stated that the firm prepared inaccurate net capital computations and filed inaccurate FOCUS IIA Reports with FINRA. **(FINRA Case #2005003556801)**

Ameriprise Financial Services, Inc. (CRD #6363, Minneapolis, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$145,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it awarded non-cash compensation, including stock options and restricted stock, to field leaders through sales incentive programs based, in part, on criteria that favored or gave additional weight to the sale of the firm's proprietary investment company products rather than on the sale of all investment company products in violation of NASD rules. The findings stated that the firm failed to establish and maintain procedures, including written procedures, reasonably designed to achieve compliance with SEC Rule 17a-4 regarding record retention obligations. **(FINRA Case #2005000682901)**

American Municipal Securities, Inc. (CRD #8365, St. Petersburg, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to show the correct entry time on brokerage order memoranda. The findings stated that the firm failed to report the correct execution time in municipal securities reports of transactions to the MSRB Transaction Reporting System. **(FINRA Case #20050001818-01)**

Banc of America Securities LLC (CRD #26091, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$12,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it accepted customer short sale orders in securities and, for each order, failed to make/annotate an affirmative determination that the firm would receive delivery of the security on the customer's behalf, or that the firm could borrow the security on the customer's behalf for delivery by settlement date. The findings stated that the firm failed to report to the Trade Reporting and Compliance Engine (TRACE) the correct contra-party's identifier for transactions in TRACE-eligible securities. **(FINRA Case #20041000170-01)**

Banc One Securities Corporation (CRD #16999, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$225,000 and required to reimburse affected public customers who paid a surrender penalty when exchanging their fixed annuity in the variable annuity or when exiting their variable annuity. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that the firm's registered representatives made unsuitable recommendations to customers given the customers' age, investment objectives, financial situations and needs. The findings stated that the firm failed to establish, maintain and enforce a supervisory system and written supervisory procedures reasonably designed to detect and prevent unsuitable tax-free (IRS Section 1035) annuity exchanges. The findings also stated that the firm's system and supervisory procedures were deficient concerning variable annuity to variable annuity exchanges, in that principal review desk principals were not required to obtain or consider critical information regarding a surrendered variable annuity when conducting the suitability review of a variable annuity exchange, and the principals did not compare the costs and benefits of features of the new and exchanged product. **(FINRA Case #2005002262901)**

BI Investments, LLC (CRD #125437, Glen Allen, Virginia) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$100,000 and was required to retain an independent consultant to conduct a comprehensive review of the adequacy of its policies, systems and procedures (written or otherwise) and training related to variable annuities. In addition, the firm's chief compliance officer was required to submit a certification to FINRA that each and every registered representative of the firm received, reviewed and agreed to comply with its written supervisory procedures. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish, maintain and enforce a supervisory system and written procedures related to its variable annuity business reasonably designed to achieve compliance with applicable federal securities laws, regulations and NASD rules. **(FINRA Case #2005001611001)**

BNP Paribas Securities Corp. (CRD #15794, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$38,000 and required to revise its written supervisory procedures regarding supervisory system, procedures and qualifications, best execution, trade reporting and Order Audit Trail System (OATS) reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed, within 90 seconds after execution, to transmit last sale reports of transactions in eligible securities to the NASDAQ Market Center (NMC) and the Trade Reporting Facility (TRF); failed to report the correct execution time in late, last sale reports of transactions in eligible securities to the NMC; and incorrectly designated last sale reports of transactions in designated securities reported to the NMC within 90 seconds of execution as ".ST" to the NMC. The findings stated that the firm reported last sale reports of transactions in designated securities to the NMC that it was not required to report. The findings also stated that the firm transmitted reports to OATS that contained inaccurate, incomplete or improperly formatted data, and failed to show the terms and conditions on brokerage order memoranda. The findings also included that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning supervisory systems, procedures and qualifications; best execution; trade reporting and OATS reporting. FINRA found that the firm failed to report transactions in TRACE-eligible securities to TRACE that it was required to report. **(FINRA Case #20050017971-01)**

BrokersXpress LLC (CRD #127081, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$11,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it submitted route reports to OATS that the OATS system was unable to link to the corresponding new order submitted by the destination member firm due to inaccurate, incomplete or improperly formatted data. The findings stated that the firm failed to enforce its written supervisory procedures that specified that the firm would review the data the firm sent to insure that Routed Order IDs are passed properly to the routing firm from the receiving firm. **(FINRA Case #20060039467-01)**

Bulltick, LLC (CRD #104005, Miami, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$10,000 and required to revise its written supervisory procedures regarding trade reporting. Without admitting or

denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the execution time through the NMC in last sale reports in eligible securities; failed to report the correct symbol indicating whether transactions were buy, sell, sell short, sell short exempt or cross for transactions in eligible securities to the NMC; and failed to report the correct symbol indicating whether it executed transactions in eligible securities in a principal or agency capacity to the NMC. The findings stated that the firm failed, within 90 seconds after execution, to transmit last sale reports of transactions in eligible securities through the NMC, and failed to designate one sale report as late. The findings also stated that the firm reported last sale reports of transactions in eligible securities through the NMC that it was not required to report. The findings also included that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning trade reporting. **(FINRA Case #20050022579-01)**

Crews & Associates, Inc. (CRD #8052, Little Rock, Arkansas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$27,500 and required to revise its written supervisory proceedings regarding fair pricing and markups. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to purchase municipal securities for its own account from a customer or sell municipal securities for its own account to a customer at an aggregate price (including any markdown or markup) that was fair and reasonable, taking into consideration all relevant facts, including the firm's best judgment as to the fair market value of the securities at the time of transaction and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the firm was entitled to a profit, and the total amount of the transaction. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning fair pricing and markups. The findings also stated that the firm failed to report information regarding transactions effected in municipal securities to the Real-Time Transaction Reporting System (RTRS) in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Users Manual by failing to report information about the transactions within 15 minutes of trade time to an RTRS Portal. **(FINRA Case #20050001121-02)**

Cue Financial Group, Inc. (CRD #21033, Phoenix, Arizona) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$45,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it executed customer and inter-dealer transactions of TRACE-eligible corporate debit securities without being registered as a TRACE participant and without having attempted registration because it did not complete or submit a TRACE participant application agreement to FINRA. The findings stated that the firm did not report any of the TRACE-eligible transactions that required reporting. The findings also stated that the firm failed to report municipal securities transactions to the MSRB within 15 minutes of execution time and did not properly prepare order tickets in that they were missing information or contained inaccurate information. The findings also included that the firm did not have a supervisory system

or procedures reasonably designed to ensure compliance with federal securities laws and MSRB rules including Rules G-8 and G-14, and to ensure that its order tickets contained all required information. FINRA found that the firm failed to establish and maintain supervisory systems and procedures, written or otherwise, reasonably designed to achieve compliance with its TRACE trade reporting obligations. **FINRA Case #2007007503501)**

E.S. Financial Services, Inc. (CRD #104316, Miami, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to maintain current and accurate books and records regarding public customers' securities held at various depository locations. The findings stated that the firm failed to establish safekeeping accounts for customer fully paid-for and excess margin securities, and did not reduce the securities to possession or control in violation of the Securities Exchange Act of 1934. The findings also stated that the firm failed to maintain an adequate Special Reserve Bank Account for the Exclusive Benefit of Customers, failed to obtain an adequate written notification regarding segregation of cash and/or qualified securities deposited in the Reserve Bank Account, and failed to file telegraphic notice of reserve deficiencies in account. **(FINRA Case #2006005964001)**

First Republic Group, LLC (CRD #39781, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$45,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to adequately supervise registered representatives, whom the firm designated for heightened supervision, to ensure their compliance with applicable securities laws, regulations and NASD rules. The findings stated that the firm's supervisory system with respect to the registered representatives requiring heightened scrutiny was inadequate to ensure against unauthorized trading and other misconduct based upon various red flags, including the nature of customer complaints received, incomplete customer account documentation and the high rate of trade cancellations. The findings also stated that the firm failed to conduct a detailed review of customer account activity more than once per month when more frequent, in-depth oversight was warranted under the circumstances. The findings also included that the firm failed to maintain account records with the signature of the registered representative introducing new accounts and the signature of the firm's principal who accepted the accounts. **(FINRA Case #2006003717801)**

The GMS Group, LLC (CRD #8000, Livingston, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$10,000, ordered to pay \$2,336.87, plus interest, in restitution, and required to revise its written supervisory procedures regarding markups/markdowns for corporate bonds and fair and reasonable compensation for municipal bonds. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it purchased municipal securities for its own account from a customer and/or sold municipal securities for its own account to a customer at an aggregate price (including any markdown or markup) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of transaction,

the expense involved in effecting the transaction, the fact that the broker, dealer or municipal securities dealer is entitled to a profit, and the total dollar amount of the transaction. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations, and NASD and MSRB rules concerning markups/markdowns for corporate bonds, and fair and reasonable compensation for municipal bonds. **(FINRA Case #20050002296-01)**

H&R Block Financial Advisors, Inc. (CRD #5979, Detroit, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$150,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to file Uniform Termination Notices for Securities Industry Registration (Forms U5) with FINRA in a timely manner. The findings stated that the firm failed to establish and maintain a system to supervise the activities of each registered representative and associated person reasonably designed to achieve compliance with the requirements of Article V, Section 3 of FINRA's By-Laws to ensure timely filing of Forms U5. **(FINRA Case #E8A2005010002)**

Legend Merchant Group, Inc. (CRD #5155, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$22,500 and required to file an application with FINRA, consistent with NASD Rule 1017 for approval of the material changes referenced in the AWC concerning changes to its Membership Agreement, and the firm must comply fully and timely with related FINRA requests for additional information and documents. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it effected material and ongoing changes in its business operations by adding a branch office and expanding the number of associated persons with direct customer contact without FINRA's prior approval. The findings stated that the firm failed to timely report statistical and summary information regarding customer complaints, and failed to report the most egregious problem as alleged in customer complaints as FINRA required. **(FINRA Case #20060036818-01)**

Merriman Curhan Ford & Co. (CRD #18296, San Francisco, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$25,000 and required to revise its written supervisory procedures regarding order handling, anti-intimidation/coordination, trade reporting and sales transactions. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it made available a report on the covered orders in national market system securities that it received for execution from any person that included incomplete information as to the cumulative number of shares of covered orders executed at the receiving market, and failed to discuss the material aspects of its relationship with each venue identified pursuant to SEC Rule 606(a)(1)(ii) of Regulation NMS for a calendar quarter. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning order handling, anti-intimidation/coordination, trade reporting and sales transactions. The findings also stated that the firm failed to make available in a timely manner—for two months—a report on the covered orders in national market system securities it received for execution from any person. **(FINRA Case #20060061222-01)**

Money Concepts Capital Corp. (CRD #12963, Palm Beach Gardens, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$13,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report customer-related matters disclosable under NASD Rule 3070 in a timely manner. The findings stated that the firm failed to amend Forms U4 and U5 for registered representatives to report customer-related matters in a timely manner. **(FINRA Case #2006003704001)**

Natixis Bleichroeder Inc. (CRD #1101, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$60,000 and required to revise its written supervisory procedures regarding SEC Rules 15c2-11, 605, 606, NASD Rule 6640, trading halts, recordkeeping, market order protection, trade reporting on its behalf, sales in threshold securities and short sale reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it published quotations for OTC equity securities or non-exchange-listed securities, or directly or indirectly submitted such quotations for publication in a quotation medium (namely, the Pink Sheets), and did not have documentation required by SEC Rule 15c2-11(a)(Paragraph (a) information) in its records, and did not have a reasonable basis under the circumstances for believing that the Paragraph (a) information was accurate in all material respects and that the sources of information were reliable. The findings stated that the quotations did not represent a customer's indication of unsolicited interest. The findings also stated that the firm failed to file a Form 211 with FINRA at least three business days before the firm's quotations were published or displayed in a quotation medium. The findings also included that the firm failed to display immediately customer limit orders in NASDAQ securities in its public quotation when each order was at a price that would have improved the firm's bid or offer in each security; or when the order was priced equal to the firm's bid or offer and the national best bid or offer for each security and the size of the order represented more than a *de minimis* change in relation to the size associated with the firm's bid or offer in each security. FINRA found that the firm failed to report to the TRF and the OTC Reporting facility the correct symbol indicating whether it executed transactions in reportable securities in a principal or agency capacity. FINRA also found that the firm failed to report to the TRF last sale reports of transactions in designated securities; incorrectly designated as "W" to the TRF one last sale report of a transaction in a NASDAQ security; incorrectly reported to the TRF last sale reports of transactions in designated securities designated as non-tape that it had already reported; improperly reported to the TRF one last sale report of a transaction in a designed security as non-tape; and failed to report to the TRF the cancellation of one trade previously submitted to the TRF. FINRA also determined that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning SEC Rules 15c2-11, 605, 606, NASD Rule 6640, trading halts, recordkeeping, market order protection, trade reporting in its behalf, sales in threshold securities and short sale reporting. Moreover, FINRA found that the firm failed to enforce its written supervisory procedures with respect to trade reporting and Automated Confirmation Transaction Service (ACT) reporting, marking sales as long or short and the accuracy of OATS reporting. Furthermore, FINRA found that the firm failed to notify customers, in writing, at least annually of the availability on request of the identity of the venue to which

customer orders were routed for execution in the six months prior to the request. FINRA found that the firm executed short sale transactions and failed to report each of the transactions to the OTC Reporting Facility with a short sale modifier. **(FINRA Case #20050021198-01)**

Penson Financial Services, Inc. (CRD #25866, Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$500,000 and required to retain an independent consultant to conduct an assessment of the effectiveness of the firm's current supervisory system, policies and procedures (written and otherwise) and related controls relating to its compliance with SEC Regulation T. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it permitted the improper trading in securities transactions resulting in violations of Regulation T for the sale of securities without full cash payment having been made by a public customer; the use of proceeds from unsettled sale transactions as payment for subsequent transactions; or the failure to properly restrict accounts from trading subsequent to the trading activity. The findings stated that the firm failed to obtain a Regulation T extension request with regard to transactions in customer cash accounts; failed to obtain payment by the Regulation T date for transactions in customer cash accounts; accepted payment into customers' margin accounts to cover purchases but failed to obtain a Regulation T extension when debit balances remained; filed Regulation T extension requests but accepted payment after the extension due date; obtained a Regulation T extension for a transaction in a customer's account and sold the customer's securities before the extension due date, although it allowed the customer to make an additional purchase during the 90-day freeze period. **(FINRA Case #2005002670701)**

Rosenblatt Securities Inc. (CRD #18377, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to submit Reportable Order Events (ROEs) to OATS. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning OATS reporting. **(FINRA Case #20050001125-01)**

Royal Alliance Associates, Inc. (CRD #23131, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$200,000 and required to review all mutual fund "A" share transactions effected on behalf of a registered representative's public customers to determine whether or not customers paid unnecessary commissions in connection with the transactions and provide refunds where appropriate. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to implement, maintain and enforce a supervisory system reasonably designed to prevent violation of SEC and FINRA rules and regulations. The findings stated that the firm had an inadequate system for detecting rapid turnover of mutual funds in customer accounts and was unable to identify unsuitable mutual fund switches and exchanges, short term trading of mutual fund shares, failure to exercise rights of accumulation, failures to send letters of intent and failures to take advantage of cost-free exchanges. The findings also stated that the firm failed to enforce its procedures regarding the use

of switch letters, in that an individual effected mutual fund share switches, failed to obtain signed switch letters, and the firm did not detect his failure to obtain these letters. (FINRA Case #E052004030102)

Westport Resources Investment Services, Inc. (CRD #24535, Westport, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$10,000 and required to revise its written supervisory procedures concerning reporting of transactions in TRACE-eligible securities. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report transactions in TRACE-eligible securities executed on a business day during TRACE system hours to TRACE within 15 minutes of execution time. The findings stated that the firm over-reported transactions in TRACE-eligible securities to TRACE. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning reporting of transactions in TRACE-eligible securities. (FINRA Case #20050032156-01)

William Blair & Company LLC (CRD #1252, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to immediately display customer limit orders in a NASDAQ security in its public quotation, when each order was at a price that would have improved the firm's bid or offer in the security; or when the order was priced equal to the firm's bid or offer and the national best bid or offer for the security; and the size of the order represented more than a *de minimis* change in relation to the size associated with the firm's bid or offer in the security. The findings stated that the firm transmitted reports concerning orders to OATS that contained inaccurate, incomplete or improperly formatted data. (FINRA Case #20050032430-01)

Individuals Barred or Suspended

Chad E. Ackzen (CRD #5264694, Associated Person, Phoenix, Arizona) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Ackzen failed to respond to FINRA requests for information. The findings stated that Ackzen failed to disclose material information on his Form U4. (FINRA Case #2007007725201)

Joel Arnold August (CRD #708942, Registered Principal, Aventura, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, August consented to the described sanction and to the entry of findings that he failed to respond to FINRA requests for information. (FINRA Case #2007011397101)

Ronnie Ben-Aron (CRD #2980331, Registered Representative, Staten Island, New York) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Ben-Aron failed to respond to FINRA requests for information and failed to appear for an on-the-record interview. The findings stated that Ben-Aron willfully failed to amend his Form U4 to disclose material information. (FINRA Case #2006005730201)

Dennis Carl Bielfeldt (CRD #1664085, Registered Representative, Munster, Indiana) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Bielfeldt consented to the described sanctions and to the entry of findings that he effected securities transactions in a public customer's account without the customer's prior written authorization to exercise discretion and without his member firm's prior written acceptance of the account as discretionary.

The suspension in any capacity was in effect from January 22, 2008, through February 4, 2008. (FINRA Case #2005002298601)

George Joseph Brischler (CRD #5297512, Registered Representative, Washingtonville, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Brischler consented to the described sanction and to the entry of findings that he withdrew \$1,405 from a public customer's saving account and converted the funds for his own use and benefit. The findings stated that Brischler failed to respond to FINRA requests for information. (FINRA Case #2007009953001)

Kenneth Richard Campbell III (CRD #2056286, Registered Principal, Richmond, Virginia) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$15,000, suspended from association with any FINRA member in a principal capacity for six months and required to requalify as a general securities principal (Series 24) by examination. Campbell was also required not to serve in a Chief Compliance Officer capacity during the suspension period and thereafter until he successfully requalifies by examination. Without admitting or denying the findings, Campbell consented to the described sanctions and to the entry of findings that he inadequately enforced his member firm's written supervisory procedures regarding variable annuity exchanges, thereby failing to fulfill his responsibilities to reasonably supervise the firm's variable annuity business.

The suspension in any principal capacity is in effect from January 22, 2008, through July 21, 2008. (FINRA Case #2005001611002)

Todd William Cowle (CRD #724275, Registered Representative, Plano, Texas) was fined \$2,500 and suspended from association with any FINRA member in any capacity for five business days. The sanctions were based on findings that Cowle willfully failed to amend his Form U4 to disclose material information.

The suspension in any capacity was in effect from January 7, 2008, through January 11, 2008. (FINRA Case #2006004494201)

Jeremy Tice Cundiff (CRD #4279532, Registered Representative, Evansville, Indiana) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Cundiff consented to the described sanctions and to the entry of findings that he entered into a real estate business arrangement with a public customer and entered into a settlement agreement with the customer without being the customer's representative of record.

The findings stated that Cundiff did not provide his member firm with a copy of the agreement before he signed it or before it became effective.

The suspension in any capacity was in effect from January 7, 2008, through January 18, 2008. (FINRA Case #20060054450-02)

Richard Alan Daniels (CRD #60736, Registered Representative, Chagrin Falls, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Daniels consented to the described sanction and to the entry of findings that he sold unregistered securities in the form of promissory notes to public customers, and the securities did not have the represented purpose of generating extraordinarily profitable returns for investors, but rather had the purpose of promoting an illegal “Ponzi” scheme and supporting Daniels’ personal debt and expenses. The findings stated that Daniels failed to respond to FINRA requests for information. (FINRA Case #2005003642901)

David Michael DeMartino (CRD #4547962, Registered Representative, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$15,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon DeMartino’s reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitted or denying the findings, DeMartino consented to the described sanctions and to the entry of findings that he selectively disseminated information obtained from a public company relating to its expected updated earning guidance before its official public release.

The suspension in any capacity is in effect from December 17, 2007, through March 16, 2008. (FINRA Case #2007009521201)

Thomas Vincent Di Benedetto (CRD #5159285, Associated Person, Elburn, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 60 days. The fine must be paid either immediately upon Di Benedetto’s reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Di Benedetto consented to the described sanctions and to the entry of findings that he failed to disclose a material fact on his Form U4.

The suspension in any capacity was in effect from December 17, 2007, through February 14, 2008. (FINRA Case #2007007926801)

Timothy Edward Dixon (CRD #2387274, Registered Representative, Hamilton, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Dixon consented to the described sanctions and to the entry of findings that he borrowed \$24,000 from one of his member firm’s public customers in contravention of the firm’s written procedures prohibiting registered representatives from borrowing money from customers.

The suspension in any capacity was in effect from January 7, 2008, through January 18, 2008. (FINRA Case #2007009992101)

David R. Dornisch (CRD #4889551, Registered Representative, Turnersville, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Dornisch's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Dornisch consented to the described sanctions and to the entry of findings that he signed public customers' names on life insurance documents without their authorization or consent.

The suspension in any capacity is in effect from January 22, 2008, through July 21, 2008. (FINRA Case #2007008177102)

Joan Lynea Elam (CRD #2102330, Registered Supervisor, Los Angeles, California) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Elam consented to the described sanction and to the entry of findings that she engaged in the unauthorized use of a co-worker's credit card to purchase personal items totaling \$1,005.94, without the individual's knowledge, authorization or consent. (FINRA Case #2007009097601)

Robert Roderick Evans (CRD #2482883, Registered Representative, Fogelsville, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Evans' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Evans consented to the described sanctions and to the entry of findings that in connection with a variable annuity transaction, he signed public customers' names on the documents without their authorization or consent.

The suspension in any capacity is in effect from January 7, 2008, through April 6, 2008. (FINRA Case #2006006553801)

Charles Todd Finley (CRD #2213439, Registered Principal, Ft. Worth, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$25,000, barred from association with any FINRA member in any principal capacity and suspended from association with any FINRA member in any capacity for two years. The fine must be paid either immediately upon Finley's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Finley consented to the described sanctions and to the entry of findings that he failed to reasonably supervise an unregistered person; failed to monitor the activity in customer accounts assigned to him; and recklessly permitted an

unregistered person to effect unauthorized transactions, unauthorized withdrawals and the transfer of \$863,200 in customer funds and securities valued at \$69,690 by means of forged authorization letters.

The suspension in any capacity is in effect from December 17, 2007, through December 16, 2009. **(FINRA Case #2006005217301)**

Gregory Gibala (CRD #2068914, Registered Representative, Beaver, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for four months. The fine must be paid either immediately upon Gibala's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Gibala consented to the described sanctions and to the entry of findings that he wrote checks against his mutual fund account at a company affiliated with his member firm and deposited the checks into his checking account even though he knew the mutual fund account had insufficient funds to cover the checks, and that no additional funds would be deposited into the mutual fund before the checks were presented for payment. The findings stated that Gibala withdrew funds from the bank checking account although he knew, or should have known, that, excluding the mutual fund checks he had deposited, the checking account did not contain sufficient funds to cover the withdrawals.

The suspension in any capacity is in effect from January 7, 2008, through May 6, 2008. **(FINRA Case #2007008400401)**

Candice Elicia Hall (CRD #5197124, Registered Representative, Coral Springs, Florida) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Hall consented to the described sanction and to the entry of findings that she intentionally submitted a Request for Verification for Employment that overstated her salary and reflected an incorrect length of service of employment and incorrect position title; she transmitted the document to a mortgage company in connection with an application for a home mortgage loan. **(FINRA Case #2007008809001)**

Kimberly Ann Harper (CRD #5191291, Associated Person, Inver Grove Heights, Minnesota) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Harper failed to respond to FINRA requests for information. The findings stated that Harper failed to disclose material information on her Form U4. **(FINRA Case #20060060576-01)**

Sheila Corne Horne (CRD #4404667, Associated Person, Indian Trail, North Carolina) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Horne consented to the described sanction and to the entry of findings that she engaged in unauthorized trading in, and made unauthorized distributions from, an Individual Retirement Account (IRA) that an individual maintained at the firm. The findings stated that Horne either entered a sell order herself or directed a registered person to enter a trade in the individual's IRA without his authorization. The findings also stated that Horne transferred the funds generated from the sales into a joint

checking account that Horne and the individual owned. The findings also included that Horne accomplished the unauthorized trading by signing the individual's name, without his knowledge or consent, to the distribution forms the firm required to process the transfer of funds. **(FINRA Case #2007009434201)**

Robert Doyle Hovermale (CRD #4385521, Registered Representative, Brownsburg, Indiana) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Hovermale consented to the described sanction and to the entry of findings that he used falsified documents to direct the sale of securities in a public customer's account, transferred the proceeds to his personal bank account without the customer's authorization or knowledge, and used the funds for his benefit and not customer's. The findings stated that Hovermale failed to respond to a FINRA request to appear to give testimony and to provide documents and information. **(FINRA Case #2006006255601)**

Dexter Sinclair Johnson (CRD #4374894, Registered Representative, Mt. Vernon, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Johnson consented to the described sanctions and to the entry of findings that he exercised discretion in a public customer's account without the customer's written authorization to exercise discretionary authority in the account and without Johnson's member firm's acceptance of the account as discretionary.

The suspension in any capacity is in effect from January 22, 2008, through February 20, 2008. **(FINRA Case #20060054051-01)**

William Wells Learned Jr. (CRD #1170117, Registered Representative, Auburn, Indiana) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for two months. The fine must be paid either immediately upon Learned's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Learned consented to the described sanctions and to the entry of findings that he signed a public customer's name to a form that authorized the release of the medical records of the customer's relative without the customer's knowledge or consent in order to obtain a life insurance policy for the customer's relative.

The suspension in any capacity is in effect from January 22, 2008, through March 21, 2008. **(FINRA Case #2006007082701)**

Imelda B. Lomibao (CRD #4354004, Registered Representative, Skokie, Illinois) submitted an Offer of Settlement in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Lomibao consented to the described sanction and to the entry of findings that she received \$15,000 from a public customer for investment purposes but, instead, deposited the funds into her personal bank account and used them to pay for her personal expenses. **(FINRA Case #20060059390-01)**

William Dennis Mattes Sr. (CRD #3251539, Registered Representative, Wheeling, Illinois) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Mattes created an Automatic Teller Machine (ATM) card in the name of one of his customers and used it to make unauthorized withdrawals from the customer's accounts. **(FINRA Case #2006005936701)**

Kelan Joseph Moylan (CRD #3150868, Registered Principal, Charleston, South Carolina) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Moylan's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Moylan consented to the described sanctions and to the entry of findings that he completed insurance-related documents and signed public customers' names to the documents without their knowledge or authority.

The suspension in any capacity is in effect from December 17, 2007, through June 16, 2008. **(FINRA Case #2006005882901)**

Daniel M. Myers (CRD #2132719, Registered Representative, Lawrence, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$15,000 and suspended from association with any FINRA member in any capacity for four months. The fine must be paid either immediately upon Myers' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Myers consented to the described sanctions and to the entry of findings that he lent \$540,000 to public customers contrary to his member firm's prohibition against lending money to customers. The findings stated that Myers performed functions at his firm requiring registration as a principal without being registered with FINRA in that capacity.

The suspension in any capacity is in effect from December 17, 2007, through April 16, 2008. **(FINRA Case #E9B2005014201)**

Donna Jean Parker (CRD #1190964, Registered Representative, Lakewood, Washington) submitted a Letter of Acceptance, Waiver and Consent in which she was censured and barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Parker consented to the described sanctions and to the entry of findings that she forged employees' signatures on firm documents and misused public customer funds by transferring money from the customer's account to an account that belonged to family members. **(FINRA Case #2007009449001)**

Darren James Powell (CRD #2666058, Registered Representative, Staten Island, New York) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Powell opened accounts for public customers without their authorization and effected unauthorized transactions in the accounts. The findings stated that Powell failed to appear for a FINRA on-the-record interview. **(FINRA Case #2005002154901)**

Gary Lynn Ranfeld (CRD #1398815, Registered Principal, Kalamazoo, Michigan) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Ranfeld consented to the described sanction and to the entry of findings that he borrowed \$34,120 from public customers in contravention of his member firm's written supervisory procedures specifically prohibiting borrowing money from customers, without exception. The findings stated that Ranfeld failed to respond to FINRA requests for information. **(FINRA Case #2007007834501)**

Bruce Gilbert Reich (CRD #2565735, Registered Representative, Marietta, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for 60 days. The fine must be paid either immediately upon Reich's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Reich consented to the described sanctions and to the entry of findings that he borrowed \$309,000 from public customers contrary to his member firm's written procedures prohibiting its registered representatives from obtaining loans from customers unless they are immediate family members.

The suspension in any capacity was in effect from December 17, 2007, through February 14, 2008. **(FINRA Case #2006007035301)**

Isaac Schinazi (CRD #2382880, Registered Principal, Mamaroneck, New York) and Robert Ware Middleton (CRD #333855, Registered Representative, Lyme, Connecticut) submitted Letters of Acceptance, Waiver and Consent in which Schinazi was suspended from association with any FINRA member in any capacity for 10 business days and suspended from association with any FINRA member in any principal capacity for 50 days. In light of Schinazi's financial status, no fine has been imposed. Middleton was fined \$22,500 and suspended from association with any FINRA member in any capacity for 30 days.

Without admitting or denying the findings, Schinazi and Middleton consented to the described sanctions and to the entry of findings that at a time when the original stated contingency of \$500,000 had not been met in connection with a "minimum-maximum" contingency private placement offerings of securities, they caused investor funds to be disbursed from a bank account and transferred to the issuer and their member firm, and failed to return funds to the investors from whom the firm received the funds, rendering the terms of the private placement memorandum false and misleading. The findings stated that the firm failed to maintain an escrow account to hold customer funds pending occurrence of each offerings' contingencies but instead, Schinazi and Middleton caused customer funds to be deposited with a bank in a savings account that was not an escrow account. The findings also stated that the firm, acting through Schinazi, failed to maintain the required minimum net capital while conducting a securities business and thus, Schinazi caused his firm to violate SEC Rule 15c3-1. The findings also included that Schinazi permitted Middleton to engage in activities that required him to be registered as a general securities principal when he

was not so registered. FINRA found that Schinazi, acting on his member firm's behalf, failed to maintain and preserve all of the firm's electronic communication in violation of Exchange Act Rule 17a-4.

Schinazi's suspension in any capacity was in effect from January 22, 2008, through February 4, 2008, and his suspension in any principal capacity is in effect from January 22, 2008, through March 11, 2008. Middleton's suspension in any capacity is in effect from January 22, 2008, through February 20, 2008. **(FINRA Cases #2005000777001/2005000777002)**

Harvey Mitchell Schwartz (CRD# 4301325, Registered Representative, Miami, Florida) was fined \$1,000 and suspended from association with any FINRA member in any capacity for four months. The sanctions were based on findings that Schwartz made false entries in his member firm's electronic entry system that claimed that public customers were disabled when they were not, in order to obtain Contingent Deferred Sales Charges for Class mutual fund shares without informing the customers or confirming the practice with his branch manager. The findings stated that Schwartz' false claims caused his firm's books and records to contain false and misleading information.

The suspension in any capacity is in effect from January 3, 2008, through May 3, 2008. **(FINRA Case #E102004083703)**

Andrea Marie Selander (CRD #4844906, Registered Representative, Grafton, Wisconsin) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$5,000 and suspended from association with any FINRA member in any capacity for 60 days. The fine must be paid either immediately upon Selander's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Selander consented to the described sanctions and to the entry of findings that she cut and pasted a public customer's signature on withdrawal request forms without the customer's knowledge or consent in order to expedite the withdrawal of funds from the customer's securities account at the firm to the customer's bank account.

The suspension in any capacity is in effect from January 22, 2008, through March 21, 2008. **(FINRA Case #2007007771001)**

Sandip Kishor Shah (CRD #2649681, Registered Representative, Chino Hills, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 days. The fine must be paid either immediately upon Shah's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Shah consented to the described sanctions and to the entry of findings that he placed orders for securities transactions in his personal brokerage account at a member firm without notifying the member firm with which he was associated that he had an account at another firm. The findings stated that Shah failed to notify the firm that held his account that he was associated with a member firm.

The suspension in any capacity is in effect from January 21, 2008, through February 19, 2008. (FINRA Case #2007008204801)

Phillip M. Sikich (CRD #5170716, Associated Person, Janesville, Wisconsin) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 days. The fine must be paid either immediately upon Sikich's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Sikich consented to the described sanctions and to the entry of findings that he failed to disclose material facts on his Form U4.

The suspension in any capacity was in effect from December 17, 2007, through January 15, 2008. (FINRA Case #2006006193501)

Leslie Clark Stipek (CRD #1200931, Registered Principal, Tustin, California) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Stipek consented to the described sanction and to the entry of findings that, while acting through a limited liability company he owned that was not a FINRA member, he effected securities transactions on public customers' behalf and received \$1,248,340 in commissions for the sales. The findings stated that the limited liability company, acting through Stipek, acted as a broker-dealer without being registered with the SEC. The findings also stated that Stipek failed to appear for a FINRA on-the-record interview. (FINRA Case #2006005166801)

Nicholas Paul Taverna (CRD #2080292, Registered Representative, Mt. Sinai, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000, suspended from association with any FINRA member in any capacity for 30 days and required not to permit his administrative assistant to assist him or work with him in any capacity, including registered or unregistered and paid or unpaid, in connection with his employment in the securities industry. Without admitting or denying the findings, Taverna consented to the described sanctions and to the entry of findings that he failed to reasonably supervise his administrative assistant with a view to preventing her falsifications and alterations of account paperwork in connection with her processing of numerous transfers/exchanges by his clients from an existing financial product to an annuity.

The suspension in any capacity was in effect from December 21, 2007, through January 19, 2008. (FINRA Case #2007007778801)

Malcolm Thomas (CRD #4650133, Registered Representative, San Antonio, Texas) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Thomas submitted forged forms for the purpose of requesting compensation for work he had not done to his member firm. The findings stated that Thomas failed to respond to FINRA requests for information and to appear for an on-the-record interview. (FINRA Case #2006004663901)

Darrel Leland Trost (CRD #855013, Registered Principal, Salt Lake City, Utah) David Michael Corn (CRD #1732548, Registered Representative, Sandy, Utah) and Jeffrey Lynn Doerr (CRD #1282618, Registered Representative, Alpine, Utah) submitted an Offer of Settlement in which Trost was fined \$25,000 and suspended from association with any FINRA member in any principal capacity for two months. Corn and Doerr were each fined \$70,000, which includes the disgorgement of commissions received of \$45,000, and suspended from association with any FINRA member in any capacity for five months. The fine must be paid either immediately upon Corn's and Doerr's reassociation with any FINRA member following their suspension, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Corn and Doerr actively assisted an individual's improper attempt to disguise his market-timing activity from insurance companies, continue market timing through variable annuities, and thereby successfully evade attempts by insurance companies to block the trading activity. The findings stated that Trost failed to adequately supervise Corn and Doerr's activities with a view to preventing their violation of NASD rules. The findings also stated that Trost, Corn and Doerr failed to timely update their Forms U4 to disclose material information.

Trost's suspension in a principal capacity is in effect from January 22, 2008, through March 21, 2008. Corn's and Doerr's suspensions in any capacity are in effect from January 22, 2008, through June 21, 2008. **(FINRA Case #EAF0401050001)**

Edward Martin VanGrouw (CRD #1032559, Registered Representative, Fairlawn, New Jersey) was fined \$20,000, suspended from association with any FINRA member in any capacity for two years and must requalify by exam as a registered representative. The sanctions were based on findings that VanGrouw obtained contingent deferred sales charge waivers for customers selling Class B mutual fund shares by falsely claiming that the customers were disabled.

The suspension in any capacity is in effect from July 2, 2007 through July 1, 2009. **(FINRA Case #E9B2003026301)**

Duc Trong Huynh Vo (CRD #4446867, Registered Representative, Glen Allen, Virginia) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Vo consented to the described sanction and to the entry of findings that he received a \$8,000 check from a public customer for investment purposes and instead of investing the funds, he deposited the check into his personal bank account, thereby converting the funds for his own use and benefit. **(FINRA Case #2006006634501)**

Dominic Joseph Vricella (CRD #1525115, Registered Principal, Medford, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Vricella consented to the described sanction and to the entry of findings that he engaged in private securities transactions without prior written notice to, or prior

written approval from, his member firm. The findings stated that Vricella settled a customer complaint without his member firm's knowledge or approval. The findings also stated that Vricella failed to reasonably supervise a registered representative engaged in private securities transactions to prevent his violations and achieve compliance with applicable securities rules, regulations and NASD rules. **(FINRA Case #2007008938701)**

Fredricka Dale Watson (CRD #849531, Registered Representative, Louisville, Kentucky) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Watson took notes into a Regulatory Element of Continuing Education exam and looked at them before they were confiscated by an examiner, even though she had acknowledged that it was prohibited prior to the exam. The findings stated that Watson failed to respond to FINRA requests for information. **(FINRA Case #20060052704)**

Beverly J. Whitaker (CRD #4638038, Associated Person, Towley, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Whitaker consented to the described sanction and to the entry of findings that a public customer gave Whitaker and a registered representative \$70,500 for investment purposes and instead of investing funds as directed, the registered representative deposited \$50,000 of the total into the account of a company the registered representative jointly owned with Whitaker, thereby converting the proceeds for their own use and benefit. **(FINRA Case #2007007816002)**

Denise Kay Woods (CRD #3170325, Registered Representative, Westchester, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Woods consented to the described sanction and to the entry of findings that she misused \$137,000 received from a public customer to be invested and without the customer's knowledge and consent, deposited the funds in another customer's securities account. **(FINRA Case #2006004687101)**

Robert Van Yeager (CRD #4023419, Registered Representative, Lady Lake, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for one year. The fine must be paid either immediately upon Yeager's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Yeager consented to the described sanctions and to the entry of findings that he forged public customer signatures on investment and insurance-related documents, without the customers' knowledge or prior consent.

The suspension in any capacity is in effect from January 7, 2008, through January 6, 2009. **(FINRA Case #2006007061201)**

Decisions Issued

The Office of Hearing Officers (OHO) issued the following decision, which has been appealed to or called for review by the NAC as of January 31, 2008. The NAC may increase, decrease, modify or reverse the findings and sanctions imposed in the decision. Initial decisions which time for appeal has not yet expired will be reported in the next FINRA Notices.

Kirlin Securities, Inc. (CRD #21210, Syosset, New York), Andrew Joseph Israel (CRD #1980476, Registered Principal, Rockaway Park, New York), Anthony Joseph Kirincic (CRD #1499511, Registered Principal, Dix Hills, New York) and David Owen Lindner (CRD #1305774, Registered Principal, Bellmore, New York). The firm was expelled from FINRA membership, and Israel, Krincic and Lindner were barred from association with any FINRA member in any capacity. The firm, Israel and Lindner must pay \$26,163, plus interest, in restitution to a public customer. The sanctions were based on findings that Israel and Kirincic, acting on the firm's behalf, used deceptive techniques to manipulate the price of securities. The findings stated that Kirincic forged public customers' signatures on stock certificates and authorization letters. The findings also stated that the firm, acting through Israel and Lindner, failed to comply with best execution requirements for a customer order.

This decision has been appealed to the NAC and the sanctions are not in effect pending consideration of the appeal. (FINRA Case #EAF0400300001)

North Woodward Financial Corp. (CRD #104097, Birmingham, Michigan) and Douglas Allen Troszak (CRD #2219763, Registered Principal, Birmingham, Michigan) were fined \$10,000, jointly and severally. In addition, Troszak must requalify by exam as a FINOP. The sanctions were based on findings that the firm, acting through Troszak, failed to prepare and maintain accurate books and records in violation of SEC and NASD rules.

This decision has been appealed to the NAC and the sanctions are not in effect pending consideration of the appeal. (FINRA Case #E8A2005014902)

Complaints Filed

FINRA issued the following complaints. Issuance of a disciplinary complaint represents FINRA's initiation of a formal proceeding in which findings as to the allegations in the complaint have not been made and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding these allegations in the complaint.

Aura Financial Services, Inc. (CRD #42822, Birmingham, Alabama) and Jonathan Fenton (CRD #2781807, Registered Principal, Las Vegas, Nevada) were named as respondents in a FINRA complaint alleging that the firm, acting through Fenton and another registered representative, recommended and effected the purchase of limited partnership interest in hedge funds without having reasonable grounds for believing that the recommendations and resultant transactions were suitable for public customers. The complaint alleges that the firm, acting through its president, failed to reasonably supervise the sale of hedge fund investments by Fenton and another representative. The complaint also alleges that the firm failed to require their registered representatives to review the compliance manual annually or failed to provide documentation confirming that the representatives had satisfied the requirement. The complaint further alleges that the firm failed to accurately report municipal securities transactions to the MSRB; failed to report any last sale reports or non-tape, non-clearing reports for its riskless principal transactions in NASDAQ securities through ACT; executed TRACE-eligible securities transactions and incorrectly characterized them as principal transactions; and failed to report written customer complaints to FINRA. In addition, the complaint alleges that the firm engaged in a securities business when its net capital was below the required minimum and failed to establish a reserve bank account for holding customer funds or to qualify for an exemption. (FINRA Case #E052005000702)

Maura Ellen Mitchell (CRD #4736301, Registered Representative, Miami Beach, Florida) was named as a respondent in a FINRA complaint alleging that without customers' knowledge or consent, she accessed her member firm's computer system and entered transactions causing the sale of securities in variable annuity sub-accounts for public customers and used the proceeds of the sales to purchase different sub-account investments within the customers' variable annuity policies. The complaint alleges that Mitchell provided FINRA with false and misleading information and testimony. (FINRA Case #2005003584601)

Firms Suspended for Failure to Supply Financial Information

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

CMG Institutional Trading LLC
Chicago, Illinois
(November 30, 2007)

Hamerslag, Dodeles & Co., LLC
New York, New York
(December 3, 2007)

NMP Capital, LLC
Kansas City, Missouri
(November 30, 2007 –
December 14, 2007)

Individuals Barred Pursuant to NASD Rule 9552(h)

(If the bar has been vacated, the date follows the bar date.)

David Demarest IV
Wellington, Florida
(December 26, 2007)

Frank Foerster
New York, New York
(December 26, 2007)

Phillip Emery Freeman III
Tampa, Florida
(December 28, 2007)

Dempsey Bennett Hammond Jr.
Destin, Florida
(December 5, 2007)

John Robert Hoole
Marion, Illinois
(December 21, 2007)

David Henry Lightfoot
Clarkston, Michigan
(December 20, 2007)

Jose Paul Macandog
Jacksonville, Florida
(December 21, 2007)

Kalina R. Rouseva
Miami, Florida
(December 3, 2007)

Vinh Chi Tu
Hercules, California
(December 6, 2007)

Individuals Suspended Pursuant to NASD Rule 9552(d)

(The date the suspension began is listed after the entry. If the suspension has been terminated or lifted, the date follows the suspension date.)

Darrin Cornelius Bryant
Middletown, Connecticut
(December 24, 2007)

Garfield Earnest Como
Richmond, Texas
(October 15, 2007 – November 27, 2007)

Gale Andrew Harvey
Mt. Juliet, Tennessee
(December 10, 2007)

Wilfred Junior Ignace
Brooklyn, New York
(December 3, 2007)

Inderbir Singh Sahni
New York, New York
(December 3, 2007)

Sean Daniel Scheans
Lake Oswego, Oregon
(December 7, 2007)

Barry Ray Stokes
Dickson, Tennessee
(June 11, 2007 – November 27, 2007)

Charita N. Teasley
Detroit, Michigan
(December 7, 2007)

Moses Raymond Tuckler
Elizabeth, New Jersey
(December 24, 2007)

Fiona Patrice White
Willingboro, New Jersey
(December 10, 2007)

Individuals Suspended Pursuant to NASD Rule Series 9554 for Failure to Comply with an Arbitration Award or Settlement Agreement

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Donnell Allen
Queens Village, New York
(December 5, 2007)

James J. Carr
N. Merrick, New York
(December 5, 2007)

Gregory Fils-Aime
Queens Village, New York
(December 5, 2007)

Michael Eric Joaquin
Levittown, New York
(December 5, 2007)

Jacqueline Mary Mead
Ballwin, Missouri
(December 26, 2007)

William Ramey Mead Jr.
Ballwin, Missouri
(December 26, 2007)

Radion Felitivich Medvedovsky
Brooklyn, New York
(April 2, 2007 – December 17, 2007)

Safdar Mursalin
Bronx, New York
(December 5, 2007)

Robert Anthony Rossi Jr.
Ft. Myers, Florida
(December 13, 2007)

Thomas Howard Taylor
Warwick, Rhode Island
(December 10, 2007)

Paul Jeffrey Umansky
Rockville Centre, New York
(December 20, 2007)

FINRA Fines J. P. Morgan Securities \$500,000 for Failing to Disclose Use of Payments to Consultants to Obtain Numerous Municipal Securities Offerings

The Financial Industry Regulatory Authority (FINRA) has fined J.P. Morgan Securities, Inc. \$500,000 for failing to disclose to the Municipal Securities Rulemaking Board (MSRB) that it had used consultants to obtain numerous municipal securities offerings and had made payments to consultants connected to particular offerings. FINRA is responsible for enforcing MSRB rules.

J.P. Morgan inaccurately stated in its filings with the MSRB that no municipal securities business had been obtained by its consultants and that it had made no payments to consultants connected with particular transactions. In fact, FINRA found, during the period from January 2002 through June 2004, J.P. Morgan used 16 different consultants to obtain at least 70 separate underwritings and paid at least \$750,000 to six consultants connected to particular transactions.

“The action announced today demonstrates FINRA’s commitment to enforcing rules that are important to the integrity of the municipal securities market,” said Susan L. Merrill, FINRA Executive Vice President and Chief of Enforcement. “The failure to report payments to consultants for specific municipal business undermined the disclosure scheme in place at the time the reports were made. MSRB rules no longer allow such payments at all.”

During the time period at issue in this case, MSRB Rule G-38 required firms to disclose in quarterly filings with the MSRB any municipal securities business obtained or retained by a consultant. The rule also required firms to disclose payments made to consultants connected to particular municipal securities offerings. The rule is intended to address potential abuses in connection with the awarding of municipal securities business. It was revised in August 2005 to prohibit payments to any person not affiliated with a firm to solicit municipal securities business on behalf of the firm.

FINRA found that from Jan. 1, 2002, through June 30, 2004, J.P. Morgan made extensive use of consultants in connection with its municipal securities business. During that period, J.P. Morgan paid a total of \$7.15 million to approximately 40 consultants. J.P. Morgan disclosed the identities of the consultants it used to communicate with issuers, and the total amounts it paid to these consultants, to the MSRB. However, despite its extensive use of consultants, J.P. Morgan reported in 10 separate quarterly filings with the MSRB that the amount of municipal securities business obtained or retained by the consultants was nothing, and that the firm had paid nothing to consultants connected to particular municipal securities transactions. But FINRA found that in fact, J.P. Morgan had repeatedly used consultants to obtain or retain particular municipal securities business and had made numerous payments to consultants connected to particular transactions. FINRA found that J.P. Morgan had used at least 16 consultants to obtain at least 70 municipal securities offerings, and had made at least six payments to consultants, totaling \$750,000, connected to particular municipal securities business.

FINRA also found that J.P. Morgan violated MSRB rules by failing to maintain adequate supervisory procedures relating to the disclosure of the use of, and payments to, consultants as required by MSRB rules.

In settling this matter, J.P. Morgan neither admitted nor denied the charges, but consented to the entry of FINRA's findings.