BEFORE THE NATIONAL ADJUDICATORY COUNCIL

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the Association of X[1] as a Limited Representative – Investment Banking with The Sponsoring Firm	Redacted Decision Notice Pursuant to Rule 19h-1 Securities Exchange Act of 1934 SD11008 Date: 2011

I. Introduction

On December 13, 2010, the Sponsoring Firm filed a Membership Continuance Application ("MC-400" or "the Application") with FINRA's Department of Registration and Disclosure, seeking to permit X, a person subject to a statutory disqualification, to associate with the Sponsoring Firm as an investment banking representative (Series 79). In February 2011, a subcommittee ("Hearing Panel") of FINRA's Statutory Disqualification Committee held a hearing on the matter. X appeared at the hearing, accompanied by his counsel, Attorney 1 and Attorney 2, his Proposed Supervisor, , and Employee 1, the Sponsoring Firm's chief financial officer and one of several proposed secondary supervisors for X. Attorney 3 and Attorney 4 appeared on behalf of the Sponsoring Firm. FINRA Employee 1, FINRA Attorney 1, FINRA Attorney 2, and FINRA Attorney 3 appeared on behalf of FINRA's Department of Member Regulation ("Member Regulation").

For the reasons explained below, we approve the Sponsoring Firm's Application.[2]

---

[1] The names of the Statutorily Disqualified individual, the Sponsoring Firm, the Proposed Supervisor, and other information deemed reasonably necessary to maintain confidentiality have been redacted.

[2] Pursuant to FINRA Rule 9524(a)(10), the Hearing Panel submitted its written recommendation to the Statutory Disqualification Committee. The Statutory Disqualification Committee considered the Hearing Panel's recommendation and presented a written recommendation to the National Adjudicatory Council.

II. The Statutorily Disqualifying Event

X is statutorily disqualified because of a consensual Final Judgment entered by the United States District Court in February 2005 (the "Judgment"). The Judgment permanently restrained and enjoined X from violating Sections 10(b), 13(a), and 13(b)(2) of the Securities Exchange Act of 1934 ("Exchange Act") and Exchange Act Rules 10b-5, 12b-20, 13a-1, and 13a-13. The bases for the Judgment were allegations by the Commission that X, while employed as a managing director and co-head of commercial transactions at Firm 1, knew or was reckless in not knowing that certain investments by Firm 1 in energy and technology companies (generally known as "merchant" investments) were overvalued and had caused certain publicly-reported earnings of Firm 2 (the parent company of Firm 1) in 2000 to be false or misleading. The Judgment ordered that X disgorge $100 and pay a fine of $499,900, for a total monetary sanction of $500,000. The Judgment also prohibited X from serving as an officer or director of a public company for five years.

X explained that as co-head of Firm 1's commercial transactions group, he was responsible for assisting with the restructuring and negotiation of commercial transactions in the energy market. "As part of [his] duties, [X] inherited responsibility for oversight of the team that handled [Firm 1's] legacy portfolio of 'merchant' investments in other energy and technology companies." X had authority over approximately 100 employees in this position, although his duties "did not include any responsibility for [Firm 1's] or Firm 2's accounting or auditing functions." X described the Judgment and the events surrounding the collapse of Firm 2 as devastating, traumatic and painful, and stated that he was "chastened by, and I believe rendered wiser by, the SEC's civil action."

In connection with the bankruptcy petitions of Firm 2 and its affiliates filed in December 2001, X served as chief financial officer for the companies. X served in this role until September 2004, when the bankruptcy court confirmed the companies' plans of reorganization.

III. Background Information

A. X

X entered the securities industry in 1989, when he qualified as a general securities representative. X also passed the uniform securities agent state law exam in June 1995, and again passed this exam in January 2011. In addition, X qualified as a limited representative-investment banking representative (Series 79) in December 2010. X was previously associated in a registered capacity with three firms between June 1989 and November 2001, and was associated with a number of non-FINRA member firms from February 1996 through June 2010.

Since entry of the Judgment, X worked for several years at a private investment company. In late 2010, X began working for Firm 3, a non-FINRA member affiliate of the Sponsoring Firm. Firm 3 is the private equity business of Firm 4, the holding company that owns the Sponsoring Firm. Firm 3 serves as the management company of a private equity fund that makes middle-market equity investments in the oilfield services sector. As an employee of Firm 3, X has been physically and substantively excluded from the broker-dealer activities of the Sponsoring Firm.

Other than the Judgment, we are aware of no other disciplinary or regulatory proceedings, complaints, or arbitrations against X.

B. The Sponsoring Firm

The Sponsoring Firm has been a FINRA member since 2004. The Sponsoring Firm is based in City 1, State 1, and has three branch offices and two offices of supervisory jurisdiction ("OSJs"). In the Application, the Sponsoring Firm represents that it employs approximately 100 individuals, 16 registered principals, and 66 registered representatives. The Sponsoring Firm "offers securities and investment banking services to the energy community," and represents that it does not service retail investors.

In January 2008, the Sponsoring Firm entered into a Letter of Acceptance, Waiver and Consent ("AWC") with FINRA for violations of Exchange Act Rules 15c3-1 and 17a-5(a) and NASD Rule 2110. Without admitting or denying the allegations set forth in the complaint, the Sponsoring Firm consented to findings that in April 2006 and from December 2006 through January 2007, it operated with a net capital deficiency because of improperly calculated "haircuts" and misclassifying non-allowable assets as allowable assets. FINRA censured the Sponsoring Firm and fined it $10,000.

In April 2008, FINRA issued the Sponsoring Firm a Letter of Caution ("LOC"). FINRA cited the Sponsoring Firm for failing to timely file portions of its December 2006 and December 2007 FOCUS Reports and other schedules. The Sponsoring Firm filed these documents five days late and one day late, respectively. The Sponsoring Firm responded in writing that it corrected the deficiencies noted in the LOC.

In July 2007, FINRA issued the Sponsoring Firm an LOC. FINRA cited the Sponsoring Firm for failing to enforce its written supervisory procedures, failing to timely submit annual research report attestations, failing to identify certain information in an annual report to senior management, and failing to provide evidence that its annual CEO certification was completed timely. The Sponsoring Firm responded in writing that it corrected the deficiencies noted in the LOC.

The record shows no other recent complaints, disciplinary proceedings, or arbitrations against the Sponsoring Firm.

IV. X's Proposed Business Activities and Supervision

The Sponsoring Firm proposes that it will employ X as an investment banking representative in its home office in City 1, State 1. The Sponsoring Firm states that X will be in the Sponsoring Firm's "investment banking division, focusing primarily on the advisory aspects of the business for the firm's corporate clients." X will serve as a managing director and will provide "advisory services to corporate clients." The Proposed Supervisor testified that investment banking services are provided to Firm clients in teams from within the investment banking division, which consists of approximately 31 professionals. X will work with teams as a

member of the investment banking division. The Sponsoring Firm represents that X will be paid a salary and will be eligible for a discretionary bonus.

The Sponsoring Firm proposes that the Proposed Supervisor will be X's direct supervisor. The Proposed Supervisor first registered as a general securities representative in October 1987, and qualified as a general securities principal in March 1999. The Proposed Supervisor has been registered with the Sponsoring Firm since February 2007. The Proposed Supervisor serves as the Sponsoring Firm's chairman and chief executive officer, and he currently supervises the seven managing directors of the Sponsoring Firm's investment banking division. The Sponsoring Firm's chief financial officer (Employee 1), the head of the Sponsoring Firm's securities division, and the Sponsoring Firm's co-president (Employee 2 also report directly to the Proposed Supervisor. Prior to associating with the Sponsoring Firm, the Proposed Supervisor was associated with one other firm. We are not aware of any disciplinary or regulatory proceedings, complaints, or arbitrations against the Proposed Supervisor.

The Sponsoring Firm further proposes that Employee 3, Employee 2, and Employee 1 will assist the Proposed Supervisor in supervising X. Employee 3 is currently employed by the Sponsoring Firm as its chief compliance officer in its home office in City 1. Employee 3 first registered as a general securities representative in May 2000 and as a general securities principal in August 2000. Employee 3 became associated with the Sponsoring Firm in August 2010, and was previously associated with four other firms. We are not aware of any disciplinary or regulatory proceedings, complaints, or arbitrations against Employee 3.

Employee 2 is currently employed by the Sponsoring Firm as its co-president in its home office. He first registered as a general securities representative in September 1994 and as a general securities principal in January 2006. Employee 2 became associated with the Sponsoring Firm in July 2010, and previously was associated with two other firms. We are not aware of any disciplinary or regulatory proceedings, complaints, or arbitrations against Employee 2.

Finally, Employee 1 is currently employed by the Sponsoring Firm as its chief financial officer in its home office. Employee 1 first registered as a general securities representative and general securities principal in May 2007, and as a financial and operations principal in June 2010. Employee 1 became associated with the Sponsoring Firm in February 2007, and previously was associated with four other firms. We are not aware of any disciplinary or regulatory proceedings, complaints, or arbitrations against Employee 1.

V. Member Regulation's Recommendation

Member Regulation recommends that the Application be denied because, in its view: (1) X's disqualifying event is "undeniably egregious," "shows a propensity to conduct and/or conceal deceit, be it directly or indirectly, on the public at large," and occurred while X was employed in the securities industry; (2) X's proposed responsibilities and activities at the Sponsoring Firm parallel his former activities at Firm 1; (3) the Sponsoring Firm, while lacking an extensive disciplinary history, has previously violated net capital rules, which Member Regulation alleges evidence weakened supervisory controls; and (4) the Proposed Supervisor is already "overtasked" with responsibilities at the Sponsoring Firm. At the hearing, Member

Regulation also argued, for the first time, that X received improper payments from, and improperly associated with, the Sponsoring Firm pending approval of this Application.

VI. Discussion

In evaluating an application like this, we assess whether the sponsoring firm has demonstrated that the proposed association of the statutorily disqualified individual is in the public interest and does not create an unreasonable risk of harm to the market or investors. *See Continued Association of X*, SD06003, slip op. at 5 (NASD NAC 2006) (redacted decision); *see also Frank Kufrovich*, 55 S.E.C. 616, 624 (2002) (holding that FINRA "may deny an application by a firm for association with a statutorily-disqualified individual if it determines that employment under the proposed plan would not be consistent with the public interest and the protection of investors"); FINRA By-Laws, Art. III, Sec. (3)(d). Factors that bear on our assessment include the nature and gravity of the statutorily disqualifying misconduct, the time elapsed since its occurrence, the restrictions imposed, whether there has been any intervening misconduct, and the potential for future regulatory problems. We also consider whether the sponsoring firm has demonstrated that it understands the need for, and has the capability to provide, adequate supervision over the statutorily disqualified person.[3]

After carefully reviewing the entire record in this matter, we find that the Sponsoring Firm has met its burden, and we conclude that X's participation in the securities industry as an investment banking representative will not present an unreasonable risk of harm to the market or investors. In reaching our conclusion, we carefully considered each of Member Regulation's concerns, which we address below. Accordingly, for the following reasons, we approve the Application for X to associate with the Sponsoring Firm as an investment banking representative, subject to the supervisory terms and conditions detailed herein.

A. The Underlying Misconduct

We recognize that the conduct underlying the Judgment was serious, and that accounting issues related to Firm 2 and its affiliates resulted in one of the largest bankruptcies in the history of corporate America. We also recognize the seriousness of the Commission's allegations underlying the Judgment, which resulted in monetary sanctions totaling $500,000 against X and a five-year prohibition from serving as an officer or director of any public company. We note,

---

[3] The Sponsoring Firm and X argue that in assessing this Application, we should consider that X has already served the term of his five-year prohibition as an officer or director of a public company and apply the standard set forth in *Paul Edward Van Dusen*, 47 S.E.C. 668 (1981), and *Arthur H. Ross*, 50 S.E.C. 1082 (1992). *Van Dusen* and *Ross* provide that in situations where the Commission has already addressed an individual's misconduct through its administrative process and has chosen to impose certain sanctions for that misconduct, FINRA generally should not evaluate a statutory disqualification application based on the individual's underlying misconduct. We find that the rationale of *Van Dusen* and *Ross* does not apply to the facts and circumstances of this case because X's officer or director restrictions were targeted at serving in a public company, not a broker-dealer.

however, that X engaged in the misconduct underlying the Judgment more than 10 years ago. Further, Member Regulation does not dispute X's assertion that he had no responsibility for accounting or auditing functions, Commission filings, or financial reporting in connection with any of the misconduct at issue, and Member Regulation's assertion that "X was found to be a key figure in a very serious regulatory action" is not supported by the record.

We further recognize that X paid the monetary sanctions imposed by the Judgment and complied with the Judgment's other terms, and we are not aware of any criminal convictions or other regulatory actions against X. X served as the chief financial officer of Firm 2 and its affiliates subsequent to their bankruptcy filings, and served in this capacity for several years in an effort to marshal assets of the bankruptcy estate and maximize payments to creditors. X has also worked, without incident, in other capacities since entry of the Judgment. X has shown remorse for the misconduct underlying the Judgment, and understands the seriousness of the matter.

We reject Member Regulation's argument that we should consider as an aggravating factor that the misconduct occurred while X was actively employed in the securities industry. The record does not show that the misconduct that resulted in the Judgment resulted from X's activities as a registered person with a broker-dealer. X was associated with Firm 5, the broker-dealer affiliate of Firm 2, from January 1998 until November 2001. X was also listed as a Firm 5 director and owner of less than five percent of Firm 5. X testified, however, that he was not actively involved with Firm 5's securities business and did not believe that he engaged in activity during that time period that would have required a securities license. X further testified that he believed Firm 5 registered individuals with securities licenses in the event it required registered representatives to perform securities transactions in connection with Firm 2 and its affiliates' businesses. X surmised that he may have been listed as a director to withdraw it from FINRA membership in connection with Firm 2 and its affiliates' bankruptcy cases, and listed as an owner based upon his ownership of Firm 2 stock.

After X explained his affiliation with Firm 5 at the hearing, Member Regulation then expressed concern that X improperly "parked" his securities license at Firm 5 from 1998 until 2001. NASD Rule 1031(a) provides that:

> A member shall not maintain a representative registration with NASD for any person (1) who is no longer active in the member's investment banking or securities business, (2) who is no longer functioning as a representative, or (3) where the sole purpose is to avoid the examination requirement prescribed in paragraph (c). A member shall not make application for the registration of any person as representative where there is no intent to employ such person in the member's investment banking or securities business.

See also Mkt. Reg. Com. v. Faherty and Norris, Complaint No. CMS920005, 1998 NASD Discip. LEXIS 44, at *28-30 (NASD NAC 1998) (finding that where individual admitted that she was never employed by broker-dealer and registered with firm simply to avoid the expiration of her securities license, she "parked" her registration with the broker-dealer in violation of NASD Rules 1031 and 2110), *rev'd on other grounds sub nom., John Roger Faherty*, 56 S.E.C. 172 (2003); *Order Approving Proposed Rule Change Relating to Registration of Principals and*

Representatives, Exchange Act Rel. No. 34-26907 (stating that "[t]he proposal would require members to submit applications for and maintain the registrations of only such persons who intend to engage or are engaged in the investment banking or securities business for the members").

The record does not contain sufficient evidence for us to conclude that X acted improperly with respect to his registrations while associated with Firm 5, and the record does not show that X registered with Firm 5 to avoid expiration of his securities licenses. Indeed, X passed the limited representative-investment banking examination in December 2010 and re-took and passed the uniform securities agent state law exam in January 2011. Consequently, we reject Member Regulation's arguments that we should consider these factors aggravating in determining whether to approve the Application.

We also reject Member Regulation's argument that we should deny the Application because X's proposed activities at the Sponsoring Firm parallel his activities while employed at Firm 1 in 2000 and 2001. In support of its argument, Member Regulation points to the fact that X will be "involved in the valuation of assets" if the Application is approved. The Proposed Supervisor testified that while X would be involved in the valuation of assets in the normal course of his investment banking activities, the Sponsoring Firm has a formal procedure for the issuance of valuation and fairness opinions for its clients. The Sponsoring Firm's procedure involves approval by a committee of senior managing directors at the Sponsoring Firm of any valuation or fairness opinion issued to a client. Under the circumstances, we do not believe that X's proposed investment banking activities at the Sponsoring Firm pose an unreasonable risk to the market or investors. Moreover, as discussed herein, he will be subject to a heightened plan of supervision.

B. X's Compensation for his Work at Firm 3 and Alleged Improper Association with the Sponsoring Firm

Member Regulation argues that because the Sponsoring Firm's payroll structure resulted in X, as a statutorily disqualified individual, receiving payment from a member firm for several months while employed at Firm 3, the Sponsoring Firm and X violated NASD IM-2420-2.[4]

The Sponsoring Firm and an unrelated third-party vendor, Company 1, are parties to a contract pursuant to which Company 1 administers the Sponsoring Firm's payroll. As a matter of administrative convenience, Company 1 also administers the payroll of Firm 3 and other affiliates of Firm 4. The Sponsoring Firm initially advances Company 1 the funds for administering the payrolls of Firm 3 and other Firm 4 affiliates. Firm 3 and the other Firm 4 affiliates then reimburse the Sponsoring Firm for their respective shares of these costs pursuant to a Service Level Agreement between Firm 4 and the Sponsoring Firm. The funds that Firm 3

[4] Member Regulation raised this argument at the hearing. The Hearing Panel directed the parties to file post-hearing briefs addressing this issue. In a letter dated March 30, 2011, the Sponsoring Firm represented that X now receives his paychecks separately, outside of the existing payroll system, from Firm 3.

uses to reimburse the Sponsoring Firm for payroll expenses consist of a management fee Firm 3 charges to its investors (which include Firm 4). During the approximately three-month period in question, X received his paycheck from Company 1.

Member Regulation argues that X received his salary from the Sponsoring Firm, and "by paying X's salary, whether or not it was based on work done for Firm 3 and not related to the Sponsoring Firm's business, the Sponsoring Firm made a payment to X[,] a statutorily disqualified person, and thus violated NASD IM-2420-2.[5] IM-2420-2 provides, in pertinent part, that "[u]nder no circumstances shall payment of any kind be made by a member to any person who is not eligible . . . to be associated with a member because of any disqualification[.]" We agree that this method of administering Firm 3's payroll, as it relates to X as a statutorily disqualified individual, appears to violate IM-2420-2's broad prohibition on payments of any kind by a member firm to a statutorily disqualified individual. However, under the facts and circumstances of this case, we do not find that such fact evidences the Sponsoring Firm's inability to effectively supervise X as a statutorily disqualified individual or should otherwise cause us to deny the Application. During the several-month period in question, Firm 3 reimbursed the Sponsoring Firm for Firm 3's payroll expenses, and the Sponsoring Firm stopped using this payroll system once Member Regulation identified it as problematic.

Finally, at the hearing Member Regulation also asserted that X improperly associated with the Sponsoring Firm while statutorily disqualified prior to his employment with Firm 3, and argued that the Sponsoring Firm's employment of X is aggravating. The record does not support Member Regulation's argument. The Sponsoring Firm hired X in early October 2010, and stated that while it was aware of the Judgment, it only realized that X was statutorily disqualified sometime after October 2010, when the Commission filed an amended Uniform Disciplinary Action Reporting Form describing the Judgment. The Sponsoring Firm also states, however, that from the time the Sponsoring Firm hired X in early October 2010 until the filing of the Application in December 2010, X's "only presence at the broker-dealer was for studying for and taking" his Series 63 and 79 examinations. Member Regulation does not contest these facts, and the record indicates that the Sponsoring Firm and Member Regulation had discussions concerning this matter as early as mid-November 2010 (although the exact nature of the communications between the parties is unknown). Under the circumstances, and based upon the record before us, we are unable to conclude that X associated improperly with the Sponsoring Firm.

C. The Sponsoring Firm and the Proposed Supervisor Can Adequately Supervise X Pursuant to the Proposed Heightened Supervisory Plan

Member Regulation also argues that the Sponsoring Firm's previous violations of net capital rules "evidence weakened supervisory controls" at the Sponsoring Firm. We recognize that the net capital rule "is one of the most important tools that the SEC and NASD use to protect

[5] Member Regulation does not contend that the payroll system as it is set up is improper. Further, Member Regulation argues that it is irrelevant that the funds used to compensate X may not be derived from securities transactions (but rather the management fee earned by Firm 3).

investors because it imposes financial responsibility on the securities industry by: (1) establishing minimum net capital requirements for broker-dealers; and (2) defining the process used by broker-dealers to determine their net capital at all times." *Dep't of Enforcement v. Inv. Mgmt. Corp.*, Complaint No. C3A010045, 2003 NASD Discip. LEXIS 47, at *14 (NASD NAC Dec. 15, 2003).

We reject, however, Member Regulation's assertion that the Sponsoring Firm's previous violations of the net capital rule evidence weakened supervisory controls currently employed at the Sponsoring Firm. While the 2008 AWC cited the Sponsoring Firm for several violations of the net capital rule, the Sponsoring Firm took corrective action to ensure future compliance with the rule. Further, based upon the totality of the Sponsoring Firm's regulatory history, we do not agree with Member Regulation's assessment that the Sponsoring Firm's violations evidence more substantial problems with the Sponsoring Firm's supervision.[6] We find that the Sponsoring Firm and X's proposed supervisors are qualified to supervise a statutorily disqualified individual such as X. We believe that the Proposed Supervisor, X's proposed primary supervisor, understands the need for, and is capable of providing, adequate supervision over X. The Proposed Supervisor has been a supervisor since 1999, has extensive experience in the securities industry, and has no disciplinary history. Similarly, X's secondary supervisors have extensive experience in the securities industry, and none of them have disciplinary histories. Although the Proposed Supervisor supervises other individuals at the Sponsoring Firm, we believe, based upon his testimony at the hearing, that he has sufficient time to dedicate to supervising X pursuant to the proposed plan of heightened supervision. Moreover, the Sponsoring Firm has proposed a comprehensive supervisory plan to ensure that it will be able to maintain future compliance with the plan of heightened supervision for X in connection with his proposed investment banking activities.

Consequently, while we find that the Judgment involved serious underlying misconduct, under the facts and circumstances presented to us we find that X is capable, pursuant to the supervisory plan discussed herein, of providing services as an investment banking representative without presenting a risk of harm to the market or investors. We are satisfied that the following heightened supervisory procedures will enable the Sponsoring Firm to reasonably monitor X's activities on a regular basis:

1. The written supervisory procedures for the Sponsoring Firm are amended to incorporate this Amended Supervisory Plan ("Plan") for the supervision of X. The Proposed Supervisor is the primary supervisor responsible for

[6] Member Regulation also argues that the Sponsoring Firm's regulatory history supports denying the Application because certain supervisory personnel who were in place at the time of the deficiencies (which occurred at Firm 6, the broker-dealer acquired by the Sponsoring Firm) are still employed at the Sponsoring Firm. Member Regulation, however, does not allege that any supervisor responsible for the prior deficiencies is still employed at the Sponsoring Firm in a supervisory capacity, and the Proposed Supervisor testified that after the Sponsoring Firm acquired Firm 6, he replaced the chief compliance officer and hired additional personnel to address problems.

X, and will be assisted in supervision, as described in the Plan, by Employee 3, Employee 2 and Employee 1. X will sign a copy of the plan acknowledging his receipt and acceptance of it.

2. X will not act in a supervisory capacity and will not have any business line authority over any professional staff.

3. X will not be authorized to commit the Sponsoring Firm to any business obligation without prior approval from the Proposed Supervisor, Employee 2, or Employee 1.

4. X will not be relied on to value any asset of the Sponsoring Firm or calculate the Sponsoring Firm's net capital or earnings and he will not have any involvement in the preparation of any the Sponsoring' financial statements.

5. At the beginning of each week, X will advise the Proposed Supervisor in writing (e.g., via e-mail, shared calendar) of X's upcoming planned interactions with clients and prospective clients. The Sponsoring Firm will retain a copy of these written communications. Thereafter, during the course of the week, X will advise the Proposed Supervisor by e-mail or access to X's electronic calendar, in advance as reasonably practicable, of any later scheduled meetings with clients and prospective clients during the week.

6. On a monthly basis, the Proposed Supervisor will confer with other professionals of his choosing in the investment banking department about X's investment banking activities. The Proposed Supervisor will document the date of each conference and with whom he spoke.

7. On a monthly basis, X will provide Proposed Supervisor a written description of his interaction with clients and prospective clients and all client transactions in which X was involved. The Sponsoring Firm will retain a copy of these descriptions.

8. On a monthly basis, the Proposed Supervisor and Employee 3 will review with X, through personal meetings and/or telephonic conferences, X's investment banking activities and interactions with clients. The Sponsoring Firm will keep a log of the dates of each meeting.

9. Employee 3 or his qualified designate, in the event he is out of the office or unable to access information, will review X's incoming written correspondence, outgoing correspondence, and emails to and from X. Employee 3 will immediately alert X's supervisor if any of the correspondence requires further review by a Principal. The Sponsoring Firm will maintain a log documenting the dates of review of X's correspondence and email and a log documenting any instance when X's

supervisor is alerted of correspondence requiring further review by a principal.

10. When the Proposed Supervisor is to be on vacation or unreachable for an extended period Employee 2 will act as X's interim supervisor.

11. If any complaint is received pertaining to X, whether verbal or written, it will be immediately referred to the Proposed Supervisor for review, and to the Sponsoring Firm's Compliance Department. A memorandum will be prepared regarding the measures the Sponsoring Firm took to address the complaint and any resolution of the matter. The Sponsoring Firm will maintain records pertaining to any complaints in segregated files for ease of review.

12. For the duration of this amended plan of heightened supervision, the Sponsoring Firm must obtain prior approval from FINRA Member Regulation if it wishes to permanently change X's supervisor to another person.

13. The Proposed Supervisor must certify quarterly to the Compliance Department of the Sponsoring Firm that he and X are in compliance with the specific procedures for which they are responsible as delineated in paragraphs 5, 6, 7 and 8 above in the Amended Plan of Supervision.

14. This Amended Plan of Supervision will be reviewed in January 2012 for purposes of determining whether further use or revision of it is necessary or appropriate. If any change or discontinuance appears appropriate, the Sponsoring Firm will confer with FINRA Member Regulation before implementing any change or discontinuance.[7]

FINRA certifies that: (1) X meets all applicable requirements for the proposed employment; (2) the Sponsoring Firm represents that it is registered with several other self-regulatory organizations, including BATS, NYSE ARCA, and NQX; and (3) X, the Proposed Supervisor, Employee 3, Employee 2, and Employee 1 represent that they are not related by blood or marriage.

VII. Conclusion

Accordingly, we approve the Sponsoring Firm's Application to employ X as an investment banking representative, subject to the above-mentioned heightened supervisory procedures. In conformity with the provisions of Exchange Act Rule 19h-1, the association of X as an investment banking representative with the Sponsoring Firm will become effective within

[7] At the hearing, counsel for the Sponsoring Firm clarified that no changes to the supervisory plan will be made without FINRA's prior approval.

30 days of the receipt of this notice by the Commission, unless otherwise notified by the Commission.

On Behalf of the National Adjudicatory Council,

_____

Marcia E. Asquith
Senior Vice President and Corporate Secretary