

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014041679201**

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

RE: Park Avenue Securities, LLC. (BD No. 46173)
Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Park Avenue Securities, LLC ("Park Avenue" or the "Firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Park Avenue alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Park Avenue has been a member of FINRA since March 1999. Park Avenue's main office is in New York, New York. Park Avenue has approximately 2,959 registered persons and approximately 406 branch offices.

RELEVANT DISCIPLINARY HISTORY

Park Avenue has no relevant disciplinary history.

OVERVIEW

From May 1, 2009 to October 31, 2013 (the "Relevant Period"), Park Avenue failed to apply sales charge discounts to certain customers' eligible purchases of unit investment trusts ("UITs") in violation of FINRA Rule 2010. In addition, Park Avenue failed to establish, maintain and enforce a supervisory system and written supervisory procedures ("WSPs") reasonably designed to ensure that customers received sales charge discounts on all eligible UIT purchases in violation of NASD Conduct Rule 3010 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

A UIT is a type of Investment Company that issues securities, typically called "units," representing undivided interests in a relatively fixed portfolio of securities. UITs are generally issued by a sponsor that assembles the UIT's portfolio of securities, deposits the securities in a trust, and sells units of the UIT in a public offering. UIT units are redeemable securities that are issued for a specific term, and entitle an investor to receive his or her proportionate share of the UIT's net assets on redemption or at termination.

UIT sponsors offer investors a variety of ways to reduce the sales fee charged on a UIT purchase. The two most common methods to reduce the fee are "breakpoints," which allow investors to reduce the sales fee by increasing the size of their UIT investments, and discounts on "rollovers" and "exchanges"¹ (collectively "sales charge discounts").

On March 31, 2004, FINRA issued Notice to Members 04-26, *Unit Investment Trust Sales*, which reminded broker-dealers that they should develop and implement procedures to ensure customers receive available sales charge discounts for UITs. The Notice further stated that UIT transactions must take place "on the most advantageous terms available to the customer" and that it is the firm's responsibility to "take appropriate steps to ensure that they and their employees understand, inform customers about, and apply correctly any applicable price breaks available to customers in connection with UITs."

During the Relevant Period, Park Avenue failed to identify and apply sales charge discounts to certain customers' eligible purchases of UITs. Specifically, Park Avenue failed to apply sales charge discounts to 2,715 eligible UIT purchases resulting in customers paying excessive sales charges of approximately \$443,255.07. Almost all the missed sales charge discounts involved missed rollover and exchange discounts. Park Avenue has paid restitution to all affected customers. Based on the foregoing, Park Avenue violated FINRA Rule 2010.

Also, during the Relevant Period, Park Avenue failed to establish, maintain and enforce a supervisory system and WSPs reasonably designed to ensure customers received sales charge discounts on all eligible UIT purchases. Park Avenue relied primarily on its registered representatives to ensure that customers received appropriate UIT sales charge discounts (with the exception of breakpoints, which were automated), despite the fact that the Firm did not effectively inform and train

¹ UIT rollover and exchange discounts are generally offered to investors who use the redemption or termination proceeds from one UIT to purchase another UIT, either from the same UIT series (rollover) or a different UIT (an exchange). Generally, in order to receive the rollover or exchange discount, proceeds used to purchase the UIT must have come from a UIT transaction that occurred within the previous 30 days. In both rollovers and exchanges, the customer generally receives a discount of 1% of the public offering price.

representatives and their supervisors to identify and apply such sales charge discounts. Based on the foregoing, Park Avenue violated NASD Conduct Rule 3010 and FINRA Rule 2010.

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

- Censure;
- Fine of \$300,000; and
- Restitution to affected customers in the total amount of \$443,255.07.²

Park Avenue agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Park Avenue has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against it;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of

² Park Avenue paid full restitution and provided proof of payment to FINRA Staff.

Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudice of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent;
- C. If accepted:
 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313;
 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects its: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which

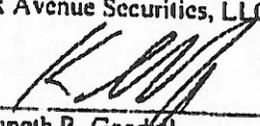
FINRA is not a party; and

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

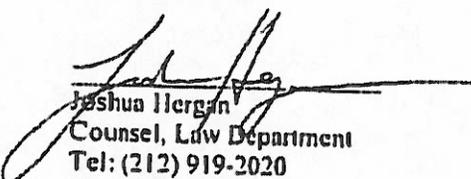
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

Park Avenue Securities, LLC

09/11/2015
Date (mm/dd/yyyy)

By: 
Kenneth R. Goodall
Senior Vice President & Chief Compliance Officer

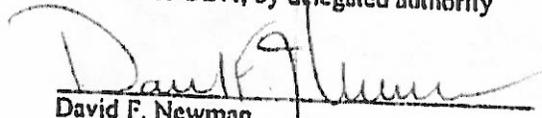
Reviewed by:


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Accepted by FINRA:

10/19/15
Date

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



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1 Corrective Action Statement of Park Avenue Securities LLC, No. 2014041679201

This Corrective Action Statement is submitted by the Respondent, Park Avenue Securities LLC ("PAS" or the "Firm").

PAS is a Delaware limited liability company operating in New York and is an indirect wholly owned subsidiary of The Guardian Life Insurance Company of America. Established in 1998, PAS' primary business is retail brokerage and investment advisory services.

Prior to the FINRA investigation and as more fully described below, PAS had undertaken a series of systems, policy and procedure enhancements in its Operations and Supervision areas which addressed the issues raised by FINRA.

Corrective Actions Taken

Various actions were voluntarily initiated by PAS which addressed the UIT sales discount issue, including the following:

1. Trade Desk Policies and Procedures

In the course of the internal review of UIT pricing conducted by PAS Surveillance prior to receipt of the FINRA Letter, PAS recognized that certain accounts had not received the appropriate rollover discounts. PAS promptly took steps to ensure rollover discounts were applied correctly to all eligible transactions thereafter.

Effective November 1, 2013, less than one month after discovery of the issue, PAS implemented the following procedure: At the time of order entry for a UIT purchase, PAS Registered Representatives (RR) are asked by the PAS Trading Desk Associates if the purchase is eligible to receive a rollover discount. If the RR states that the purchase is eligible for the rollover discount, the PAS Trading Desk will enter the order with an indication of the applicable discount.

When instructed to do so by PAS, Pershing LLC (PAS' custodian and clearing firm) processes the transaction to ensure that rollover discounts in the proper amounts are applied to eligible UIT purchases.

2. Post Trade Surveillance

Effective November 1, 2013, PAS also implemented a post trade review conducted by PAS' Trade Surveillance Unit. PAS' Trade Surveillance Unit reviews each UIT trade blotter to confirm that purchases eligible for a rollover discount receive such discount and that the proper discount amount was applied.

An exception report is generated which contains an analysis of PAS' UIT trade blotter and identifies purchases eligible for a rollover discount. An indicator of "Y" in the "Due Roll" column represents a trade that is eligible for a rollover discount. Any rollover eligible trades that did not

¹ This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

receive the rollover discount will indicate "Y" in the "Exception" column. The Firm's Trade Surveillance Unit reviews this report on no less than a monthly basis.

Conclusion

Consistent with its longstanding practice, PAS has fully cooperated with FINRA throughout the examination. PAS has taken prompt and comprehensive action to address the issues covered by the AWC. As a responsible industry participant, PAS remains committed to compliance with the laws and regulations governing its business.