

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140418507-01

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

RE: National Securities Corporation, Respondent
Broker-Dealer
CRD No. 7569

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

I.

ACCEPTANCE AND CONSENT

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

BACKGROUND AND RELEVANT DISCIPLINARY HISTORY

The firm became a member of FINRA on February 3, 1947, and its registration remains in effect. On or about November 3, 2014, the firm was censured and fined \$60,000 by the Securities & Exchange Commission for violating MSRB Rule G-15(f) in connection with one customer transaction in a municipal security below the issue's minimum denomination.

SUMMARY

In 20140418507, the staff in the Department of Member Regulation and Market Regulation's Municipal Securities Trade Reporting Section (the "staff") reviewed the firm's compliance with Municipal Securities Rulemaking Board ("MSRB") Rule G-15(f) during the period January 1, 2012 through March 31, 2015 (the "review period").

MSRB Rule G-15(f)(i) prohibits a broker, dealer, or municipal securities dealer from effecting a customer transaction in municipal securities issued after June 1, 2002 in an amount lower than the minimum denomination of the issue.

Issuers set minimum denominations for the purchase or sale of municipal securities and disclose those minimum denominations in Official Statements, which are documents prepared by or on behalf of the issuer of municipal securities in connection with a primary offering. Minimum denominations generally range from \$5,000 to \$100,000. An issuer may set a minimum denomination at \$100,000 or higher to qualify for one of several exemptions from Securities Exchange Act Rule 15c2-12, which is designed to ensure production of certain disclosure documents in the primary and secondary markets. In addition, an issuer may set high minimum denominations because of a concern that the offered securities may not be appropriate for retail investors who are likely to purchase securities in relatively small amounts.

There are two limited exceptions to executing transactions below the minimum denomination. First, under MSRB Rule G-15(f)(ii), a dealer may purchase municipal securities from a customer in an amount below the minimum denomination of the issue if the dealer determines that the customer's position in the issue is already below the minimum denomination and the customer's entire position in the issue would be liquidated by the transaction.

Second, under MSRB Rule G-15(f)(iii), a dealer may sell municipal securities to a customer in an amount below the minimum denomination of the issue if the dealer determines that the position being sold resulted from the liquidation of another customer's entire position in the issue which was below the minimum denomination of the issue. Additionally, a dealer selling under MSRB Rule G-15(f)(iii) must, at or before the completion of the transaction, notify the customer that the amount of the transaction is below the minimum denomination of the issue and that this may adversely affect the liquidity of the customer's position.

Under MSRB Rule G-15(f), brokers, dealers, and municipal securities dealers may not sell (or buy) municipal securities in amounts below the minimum denomination of an issue to a customer regardless of whether the customer holds or would hold a position in the issue which is equal to or exceeds the minimum denomination of the issue.

FACTS AND VIOLATIVE CONDUCT

As a result of the review, the staff determined that during the review period:

1. The firm effected 17 customer transactions in a municipal security in an amount lower than the minimum denomination of the issue which were not subject to an exception under the rule. These transactions are detailed in Exhibit A, attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-15(f).¹

¹ In addition to the violations described herein, the staff identified certain deficiencies with respect to the firm's supervisory system, including its written supervisory procedures, related to transactions in municipal securities in amounts lower than the minimum denomination of the issue. In this matter, the Legal Section determined not

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

- A censure;
- A fine of \$25,000; and
- Rescission must be offered to the customers who executed the transactions listed on Exhibit A hereto at either the original purchase price or the current fair market value, whichever is higher. The offer of rescission shall remain open with the affected customer for a period of 60 days. A registered principal on behalf of the firm shall submit satisfactory proof of offer of the rescission, or of reasonable and documented efforts undertaken to effect rescission, including the offered price and a description of how the offered price was determined. Such proof shall be submitted to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, either by letter that identifies the Respondent and case number, or by email from a work-related account of the registered principal of the firm to MarketRegulationComp@finra.org. This proof shall be provided to FINRA no later than 90 days after acceptance of this AWC.

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

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against the firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;

to charge the firm for such deficiencies in light of a prior regulatory action taken by the Securities and Exchange Commission in November 2014.

- 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the 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.

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

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in 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; and

4. The firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's: (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.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

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

11/19/15
Date

Respondent
National Securities Corporation

By: Alan B. Levin

Name: Alan B. Levin

Title: CFO.

Reviewed by:

Jan Levin

Attorney Name
Counsel for Respondent
Firm Name
Address
City/State/Zip
Phone Number

Accepted by FINRA:

12/22/15
Date

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

Robert A. Marchman / CPE

Robert A. Marchman, Esq.
Executive Vice President
Department of Market Regulation

National Securities Corporation ("NATL")
Review Number: 20140418507
Review Period: January 1, 2012 through March 31, 2015
Exhibit A

Item	Trade Date	CUSIP	Seller	Volume	Price	Buyer
1	4/7/2014	88537EBA9	NATL	\$50,000	80.025	CUST
2	4/7/2014	88537EBA9	NATL	\$50,000	80.025	CUST
3	4/7/2014	88537EBA9	NATL	\$50,000	80.025	CUST
4	7/14/2014	83714RAY9	NATL	\$5,000	97.5	CUST
5	7/15/2014	84552MBN6	NATL	\$50,000	98.5	CUST
6	7/16/2014	84552MBN6	NATL	\$25,000	98.5	CUST
7	7/16/2014	84552MBN6	NATL	\$25,000	98.5	CUST
8	9/9/2014	717818X78	NATL	\$25,000	95.7	CUST
9	9/9/2014	717818X78	NATL	\$25,000	95.7	CUST
10	9/9/2014	717818X78	NATL	\$25,000	95.7	CUST
11	9/9/2014	717818X78	NATL	\$25,000	95.7	CUST
12	9/9/2014	717818X78	NATL	\$30,000	95.7	CUST
13	9/9/2014	717818X78	NATL	\$30,000	95.7	CUST
14	11/18/2014	83714RAY9	NATL	\$14,000	98.875	CUST
15	2/24/2015	83714RAY9	NATL	\$5,000	93	CUST
16	3/10/2015	72177MJEB	NATL	\$15,000	98.25	CUST
17	3/10/2015	72177MJEB	NATL	\$20,000	98.25	CUST