

## BrokerCheck Report

# FIRSTRADE SECURITIES INC.

CRD# 16843

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Please be aware that fraudsters may link to BrokerCheck from phishing and similar scam websites, trying to steal your personal information or your money. Make sure you know who you're dealing with when investing, and contact FINRA with any concerns.

For more information read our [investor alert](#) on imposters.

## About BrokerCheck®



BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:
  - information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
  - information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <https://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

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**Thank you for using FINRA BrokerCheck.**



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at

[brokercheck.finra.org](http://brokercheck.finra.org)



For additional information about the contents of this report, please refer to the User Guidance or [www.finra.org/brokercheck](http://www.finra.org/brokercheck). It provides a glossary of terms and a list of frequently asked questions, as well as additional resources.

[For more information about FINRA, visit www.finra.org.](http://www.finra.org)



## FIRSTRADE SECURITIES INC.

CRD# 16843

SEC# 8-34642

### Main Office Location

30-50 WHITESTONE EXPRESSWAY, SUITE A301  
FLUSHING, NY 11354  
Regulated by FINRA Long Island Office

### Mailing Address

30-50 WHITESTONE EXPRESSWAY, SUITE A301  
FLUSHING, NY 11354

### Business Telephone Number

718-269-1565

## Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

### Firm Profile

This firm is classified as a corporation.

This firm was formed in Delaware on 06/08/2000.

Its fiscal year ends in June.

### Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

### Firm Operations

**This firm is registered with:**

- the SEC
- 1 Self-Regulatory Organization
- 53 U.S. states and territories

Is this brokerage firm currently suspended with any regulator? **No**

This firm conducts 7 types of businesses.

This firm is not affiliated with any financial or investment institutions.

This firm has referral or financial arrangements with other brokers or dealers.

### Disclosure Events

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm? **Yes**

**The following types of disclosures have been reported:**

Type	Count
Regulatory Event	6
Arbitration	2



## Firm Profile

This firm is classified as a corporation.

This firm was formed in Delaware on 06/08/2000.

Its fiscal year ends in June.

## Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

### **FIRSTRADE SECURITIES INC.**

**Doing business as FIRSTRADE SECURITIES INC.**

**CRD#** 16843

**SEC#** 8-34642

### **Main Office Location**

30-50 WHITESTONE EXPRESSWAY, SUITE A301  
FLUSHING, NY 11354

**Regulated by FINRA Long Island Office**

### **Mailing Address**

30-50 WHITESTONE EXPRESSWAY, SUITE A301  
FLUSHING, NY 11354

### **Business Telephone Number**

718-269-1565



## Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.

### Direct Owners and Executive Officers

<b>Legal Name &amp; CRD# (if any):</b>	FIRSTRADE HOLDING CORPORATION
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity
<b>Position</b>	PARENT COMPANY
<b>Position Start Date</b>	08/2017
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	KU, JULIE LI-YUEN 1939433
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	SECRETARY
<b>Position Start Date</b>	05/2000
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	No
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	LIU, JOHN 712988
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	CEO/CHAIRMAN/FINOP/ROSPF
<b>Position Start Date</b>	04/1985

## Firm Profile



### Direct Owners and Executive Officers (continued)

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** MONTANARO, DONATO ANTHONY JR  
2259817

**Is this a domestic or foreign entity or an individual?** Individual

**Position** PRESIDENT

**Position Start Date** 01/2024

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** No

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** RYAN, KIMBERLY ANN  
4316310

**Is this a domestic or foreign entity or an individual?** Individual

**Position** CHIEF COMPLIANCE OFFICER

**Position Start Date** 05/2023

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** No

**Is this a public reporting company?** No



## Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.

### Indirect Owners

<b>Legal Name &amp; CRD# (if any):</b>	LIU, JOHN 712988
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Company through which indirect ownership is established</b>	FIRSTRADE HOLDING CORPORATION
<b>Relationship to Direct Owner</b>	SHAREHOLDER
<b>Relationship Established</b>	08/2017
<b>Percentage of Ownership</b>	50% but less than 75%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No
<hr/>	
<b>Legal Name &amp; CRD# (if any):</b>	CHENG, LILY 3074041
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Company through which indirect ownership is established</b>	FIRSTRADE HOLDING CORPORATION
<b>Relationship to Direct Owner</b>	SHAREHOLDER
<b>Relationship Established</b>	04/2021
<b>Percentage of Ownership</b>	Other General Partners
<b>Does this owner direct the management or policies of the firm?</b>	No
<b>Is this a public reporting company?</b>	No
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<b>Legal Name &amp; CRD# (if any):</b>	KU, JULIE LI-YUEN

## Firm Profile



### Indirect Owners (continued)

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<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Company through which indirect ownership is established</b>	FIRSTRADE HOLDING CORPORATION
<b>Relationship to Direct Owner</b>	SHAREHOLDER
<b>Relationship Established</b>	08/2017
<b>Percentage of Ownership</b>	Other General Partners
<b>Does this owner direct the management or policies of the firm?</b>	No
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	LIU, NANCY 4211883
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Company through which indirect ownership is established</b>	FIRSTRADE HOLDING CORPORATION
<b>Relationship to Direct Owner</b>	SHAREHOLDER
<b>Relationship Established</b>	08/2017
<b>Percentage of Ownership</b>	Other General Partners
<b>Does this owner direct the management or policies of the firm?</b>	No
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	LIU, YUAN CHIEH 6617001
<b>Is this a domestic or foreign entity or an individual?</b>	Individual



## Firm Profile



### Indirect Owners (continued)

<b>Company through which indirect ownership is established</b>	FIRSTRADE HOLDING CORPORATION
<b>Relationship to Direct Owner</b>	SHAREHOLDER
<b>Relationship Established</b>	04/2021
<b>Percentage of Ownership</b>	Other General Partners
<b>Does this owner direct the management or policies of the firm?</b>	No
<b>Is this a public reporting company?</b>	No

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## Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.



<b>This firm was previously:</b>	FIRSTRADE SECURITIES INC.
<b>Date of Succession:</b>	06/08/2000
<b>Predecessor CRD#:</b>	16843
<b>Predecessor SEC#:</b>	8-34642
<b>Description</b>	FIRSTRADE SECURITIES INC. CHANGED IT'S STATE OF INCORPORATION FROM NEW YORK TO DELAWARE. NO OTHER CHANGES WITH REGARD TO OWNERSHIP, CONTROL, MANAGEMENT, OR TYPE OF BUSINESS TOOK PLACE.

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## Firm Operations

### Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

**This firm is currently registered with the SEC, 1 SRO and 53 U.S. states and territories.**

Federal Regulator	Status	Date Effective
SEC	Approved	10/17/1985

### SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

A broker-dealer and government securities broker or dealer: Yes

A government securities broker or dealer only: No

This firm has ceased activity as a government securities broker or dealer: No

Self-Regulatory Organization	Status	Date Effective
FINRA	Approved	12/17/1985

## Firm Operations



### Registrations (continued)

U.S. States & Territories	Status	Date Effective	U.S. States & Territories	Status	Date Effective
Alabama	Approved	11/04/1997	North Carolina	Approved	09/26/1997
Alaska	Approved	09/24/1997	North Dakota	Approved	01/02/1997
Arizona	Approved	01/21/1998	Ohio	Approved	09/13/1999
Arkansas	Approved	10/03/1997	Oklahoma	Approved	09/23/1997
California	Approved	04/09/1986	Oregon	Approved	09/22/1997
Colorado	Approved	08/04/1997	Pennsylvania	Approved	10/01/1997
Connecticut	Approved	03/26/1991	Puerto Rico	Approved	09/25/2002
Delaware	Approved	09/03/1997	Rhode Island	Approved	09/11/1997
District of Columbia	Approved	09/24/1997	South Carolina	Approved	09/08/1997
Florida	Approved	09/24/1997	South Dakota	Approved	07/30/1997
Georgia	Approved	08/29/1997	Tennessee	Approved	10/03/1997
Hawaii	Approved	10/20/1997	Texas	Approved	10/23/1997
Idaho	Approved	07/30/1997	Utah	Approved	07/28/1997
Illinois	Approved	09/15/1997	Vermont	Approved	11/06/1997
Indiana	Approved	09/16/1997	Virgin Islands	Approved	11/02/2011
Iowa	Approved	09/16/1997	Virginia	Approved	01/05/1998
Kansas	Approved	10/09/1997	Washington	Approved	09/17/1997
Kentucky	Approved	09/02/1997	West Virginia	Approved	09/02/1997
Louisiana	Approved	09/02/1997	Wisconsin	Approved	09/16/1997
Maine	Approved	10/14/1997	Wyoming	Approved	09/02/1997
Maryland	Approved	01/01/1998			
Massachusetts	Approved	09/12/1997			
Michigan	Approved	09/10/1997			
Minnesota	Approved	06/17/1987			
Mississippi	Approved	10/06/1997			
Missouri	Approved	06/12/1998			
Montana	Approved	09/03/1997			
Nebraska	Approved	04/12/1999			
Nevada	Approved	07/31/1997			
New Hampshire	Approved	10/21/1997			
New Jersey	Approved	02/14/1992			
New Mexico	Approved	10/23/1997			
New York	Approved	08/29/1985			

## Firm Operations



### Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

**This firm currently conducts 7 types of businesses.**

#### Types of Business

- Broker or dealer retailing corporate equity securities over-the-counter
- Broker or dealer selling corporate debt securities
- Mutual fund retailer
- U S. government securities broker
- Municipal securities broker
- Put and call broker or dealer or option writer
- Non-exchange member arranging for transactions in listed securities by exchange member

## Firm Operations



### Clearing Arrangements

This firm does not hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

### Introducing Arrangements

This firm does refer or introduce customers to other brokers and dealers.

<b>Name:</b>	APEX CLEARING CORPORATION
<b>CRD #:</b>	13071
<b>Business Address:</b>	ONE DALLAS CENTER 350 N. ST PAUL SUITE 1300 DALLAS, TX 75201
<b>Effective Date:</b>	06/06/2012
<b>Description:</b>	APEX CLEARING CORP ACTS AS CLEARING AGENT AND CARRIES ALL ACCOUNTS, FUNDS, AND SECURITIES FOR FIRSTRIDE AND ITS CUSTOMERS. PENSON FINANCIAL ASSIGNED FIRSTRIDE'S CLEARING AGREEMENT TO APEX CLEARING.

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## Firm Operations

### Industry Arrangements



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**This firm does have books or records maintained by a third party.**

**Name:** APEX CLEARING CORPORATION  
**CRD #:** 13071  
**Business Address:** ONE DALLAS CENTER 350 N. ST PAUL  
SUITE 1300  
DALLAS, TX 75201  
**Effective Date:** 06/06/2012  
**Description:** APEX CLEARING CORP MAINTAINS MANY OF THE ACCOUNT RELATED RECORDS, SUCH AS; NEW ACCOUNT DOCUMENTS, STATEMENTS, CONFIRMATIONS, ORDER TICKETS, ETC.

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**This firm does have accounts, funds, or securities maintained by a third party.**

**Name:** APEX CLEARING CORPORATION  
**CRD #:** 13071  
**Business Address:** ONE DALLAS CENTER 350 N. ST PAUL  
SUITE 1300  
DALLAS, TX 75201  
**Effective Date:** 06/06/2012  
**Description:** APEX CLEARING CORP ACTS AS CLEARING AGENT AND CARRIES ALL ACCOUNTS, FUNDS, AND SECURITIES FOR FIRSTRAD AND ITS CUSTOMERS. PENSON FINANCIAL ASSIGNED FIRSTRAD'S CLEARING AGREEMENT TO APEX CLEARING.

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**This firm does have customer accounts, funds, or securities maintained by a third party.**

**Name:** APEX CLEARING CORPORATION  
**CRD #:** 13071  
**Business Address:** ONE DALLAS CENTER 350 N. ST PAUL  
SUITE 1300  
DALLAS, TX 75201  
**Effective Date:** 06/06/2012  
**Description:** APEX CLEARING CORP ACTS AS CLEARING AGENT AND CARRIES ALL ACCOUNTS, FUNDS, AND SECURITIES FOR FIRSTRAD AND ITS CUSTOMERS. PENSON FINANCIAL ASSIGNED FIRSTRAD'S CLEARING AGREEMENT TO APEX CLEARING.

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## **Firm Operations**

### **Industry Arrangements (continued)**

#### **Control Persons/Financing**

**This firm does not have individuals who control its management or policies through agreement.**

**This firm does not have individuals who wholly or partly finance the firm's business.**







## Firm Operations

### Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

**This firm is not, directly or indirectly:**

- in control of
  - controlled by
  - or under common control with
- the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

**This firm is not directly or indirectly, controlled by the following:**

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union
- or foreign bank



## Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	<b>Pending</b>	<b>Final</b>	<b>On Appeal</b>
Regulatory Event	0	6	0
Arbitration	N/A	2	N/A



## Disclosure Event Details

### What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
  - A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
  - Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
  - A disclosure event may have a status of *pending*, *on appeal*, or *final*.
    - A "pending" event involves allegations that have not been proven or formally adjudicated.
    - An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
    - A "final" event has been concluded and its resolution is not subject to change.
  - A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
    - An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
    - A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
    - A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

### Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

#### Disclosure 1 of 6

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:**

FINRA RULES 2010, 3310(A), 3310(B), NASD RULES 2110, 3011(A), 3011(B), 3011(C), 3011(E), AND MSRB RULES G-8(A), G-14, G-41: FOR OVER THREE YEARS, THE FIRM FAILED TO ESTABLISH AND MAINTAIN AN ADEQUATE SYSTEM TO MONITOR FOR, DETECT AND INVESTIGATE SUSPICIOUS ACTIVITY TO DETERMINE WHETHER IT WAS NECESSARY TO FILE A SUSPICIOUS ACTIVITY REPORT (SAR). AS A RESULT, THE FIRM FAILED TO DETECT AND INVESTIGATE CERTAIN SUSPICIOUS ACTIVITY IN CUSTOMER ACCOUNTS. THE FIRM'S WRITTEN PROCEDURES REQUIRE THAT IT HAVE PROCESSES DESIGNED TO REVIEW ACCOUNT ACTIVITY FOR UNUSUAL OR SUSPICIOUS ACTIVITY, INCLUDING, BUT NOT LIMITED TO MANIPULATIVE ACTIVITY. THE PROCEDURES INCLUDE RED FLAGS OF SUSPICIOUS ACTIVITY THAT REQUIRE ADDITIONAL INVESTIGATION, INCLUDING TRANSACTIONS INVOLVING CERTAIN TYPES OF SECURITIES, SUCH AS PENNY STOCKS, WHICH HAVE BEEN RELATED TO FRAUDULENT SCHEMES AND MONEY LAUNDERING ACTIVITY. SOME OF THE MOST SUSPICIOUS ACTIVITY IN CUSTOMER ACCOUNTS WAS APPARENT PRE-ARRANGED TRADES OF A CHINESE ISSUER STOCK DONE IN RELATED ACCOUNTS. THE FIRM DID NOT REVIEW THE PRICE MOVEMENT, OR THE INVESTORS AND THEIR POSSIBLE RELATIONSHIP WITH AN ISSUER OR EACH OTHER OR DID NOT ACT TIMELY IN PLACING ADDITIONAL SCRUTINY ON THE ISSUES. THERE WAS NO ADDITIONAL SCRUTINY PLACED ON STOCK RELATING TO THE FOLLOWING FACTS: THAT CUSTOMERS OF THE FIRM SHARED THE SAME MAILING ADDRESS AS THE ISSUER; THAT WITHIN A SHORT PERIOD, SEVERAL CUSTOMER ACCOUNTS CONDUCTED 797 TRADES OF APPROXIMATELY 895,981 SHARES IN AN ENTITY CAUSING A PRICE DOUBLE WITH THE PRICE INCREASED PER SHARE; THAT TRADING BETWEEN RELATED CUSTOMER ACCOUNTS ACCOUNTED FOR NEARLY 100 PERCENT OF THE DAILY TRADING VOLUME IN TWO ISSUERS, AND ARTIFICIALLY BOOSTED THE PRICE OF THE STOCK; AND THAT THERE WERE HIGH VOLUMES SHORT PERIODS OF PURCHASING AND SELLING OF SOME ENTITIES' SHARES OF WHICH THE SELLING AND BUYING CUSTOMERS WERE RELATED THROUGH THE FIRM'S IDENTIFIED MATCHED TRADES AND POTENTIAL WASH TRADES. DURING THE PERIOD, THE FIRM INSTITUTED AN EXCEPTION REPORT AS PART OF ITS AML PROGRAM THAT IDENTIFIED POTENTIAL WASH SALES BASED ON THE TEN-DAY SHARE VOLUME AND PROXIMITY OF THE BUYS AND SELLS IN ACCOUNTS WITH SHARED CHARACTERISTICS. THE POTENTIAL WASH SALE REPORTS ARE GENERATED IF A BUY AND SALE IN THE SAME SECURITY TAKES PLACE, AND ONE OF FIVE PIECES OF INFORMATION IS THE SAME IN THE TRANSACTIONS. DUE TO THESE LIMITED PARAMETERS FOR THE POTENTIAL WASH SALE REPORT, THE REPORTS DID NOT CAPTURE POTENTIAL MATCHED TRADING ALSO OCCURRING IN THE CUSTOMER ACCOUNTS AND THE FIRM DID NOT IMPLEMENT ANY SEPARATE REPORTS TO MONITOR FOR MATCHED TRADING. TRANSACTIONS OF AN ISSUER APPEARED ON 56 SEPARATE WASH SALE REPORTS WHILE 791 MATCHED



TRADES OCCURRED, MOST OF WHICH WERE NOT CAPTURED ON THE REPORTS. IN ALMOST EVERY CASE WHERE THE ISSUER TRANSACTION APPEARED ON THE POTENTIAL WASH SALES REPORT, THE ACCOUNTS WERE ONE OF THE 11 THAT WERE ASSOCIATED WITH THE ISSUER. SIMILARLY, TRANSACTIONS OF ANOTHER ISSUER APPEARED MORE THAN 16 TIMES (ON EIGHT REPORTS), WHERE 422 MATCHED TRADES OCCURRED. THIS DISPROPORTIONATELY HIGHER NUMBER OF MATCHED TRADES VERSUS WASH SALE REPORTS IS MOST LIKELY DUE TO THE LIMITATIONS ON THE PARAMETERS INSTITUTED FOR THE REPORTS. NOTWITHSTANDING THE LIMITATION OF THE POTENTIAL WASH SALE REPORT, THE FIRM DID NOT TAKE TIMELY ACTION TO ADDRESS THE POTENTIAL MANIPULATIVE ACTIVITY RAISED BY THE EXCEPTIONS GENERATED FOR ISSUERS. IN ADDITION TO THE OTHER RED FLAGS, THE FIRM WAS ON NOTICE FROM ITS CLEARING FIRM OF TRANSACTIONS THAT RAISED QUESTIONS REGARDING POTENTIAL MATCHED OR WASH TRADES BY ITS CUSTOMERS. ALTHOUGH THE FIRM RESPONDED TO ITS CLEARING FIRM'S INQUIRY, IT FAILED TO TAKE ADEQUATE STEPS TO REPORT AND INVESTIGATE THE POTENTIAL MANIPULATION. THE FIRM HAS TAKEN STEPS TOWARDS ADDRESSING THESE DEFICIENCIES, INCLUDING RESTRICTING AND/OR CLOSING CUSTOMER ACCOUNTS. (CONT. IN COMMENT)

**Initiated By:** FINRA

**Date Initiated:** 05/08/2013

**Docket/Case Number:** [2010021211901](#)

**Principal Product Type:** Other

**Other Product Type(s):** MUNICIPAL SECURITIES

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/08/2013

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure



Monetary/Fine \$300,000.00

**Other Sanctions Ordered:**

**Sanction Details:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS CENSURED AND FINED \$300,000 (\$25,000 OF WHICH PERTAINS TO THE VIOLATIONS OF MSRB RULES G-41, G-14 AND G-8(A)). FINE PAID ON MAY 31, 2013.

**Regulator Statement**

AMONG OTHER THINGS, THE FIRM HAS IMPLEMENTED HEIGHTENED PROCEDURES AND INCORPORATED ADDITIONAL REPORTS IN ORDER TO MONITOR, DETECT AND INVESTIGATE THIS TYPE OF TRADING ACTIVITY IN ITS CUSTOMER ACCOUNTS. THE FIRM'S AML PROCEDURES STATE THAT EXCESSIVE JOURNAL ENTRIES BETWEEN UNRELATED ACCOUNTS WITHOUT ANY APPARENT BUSINESS PURPOSE WILL BE CONSIDERED A RED FLAG REQUIRING ADDITIONAL REVIEW. FOR THREE MONTHS, THERE WERE JOURNAL ENTRIES IN DIFFERENT ACCOUNTS AT THE FIRM IN THE STOCK OF AN ENTITY. THE FIRM, CONTRARY WITH ITS AML PROCEDURES, HOWEVER, DID NOT CONDUCT ANY INDEPENDENT ANALYSIS OR DUE DILIGENCE ON THE ENTITY AS A RESULT OF THESE MULTIPLE JOURNALS IN THAT SHORT SPAN OF TIME. FOR A LITTLE OVER A YEAR, SHARES OF AN ENTITY WERE JOURNALED TO THIRD PARTY NON-CUSTOMERS OF THE FIRM AND JOURNALED FROM CUSTOMERS OF THE FIRM TO OTHER CUSTOMERS OF THE FIRM AND THIRD PARTIES. THREE OTHER STOCKS DURING THAT PERIOD EACH HAD OVER 500,000 JOURNALED TO A THIRD PARTY AND ELEVEN OTHER STOCKS HAD JOURNALS TOTALING OVER MILLION SHARES. THE FIRM DID NOT CONDUCT AN ADEQUATE REVIEW OF THESE SECURITIES OR ADEQUATE FOLLOW UP IN ASSESSING THE ACCOUNTS OR THE BENEFICIARIES. THE FIRM DID NOT HAVE ANY WRITTEN PROCEDURES REGARDING THE TRANSFER OF LOW PRICED STOCK VIA DEPOSIT/WITHDRAWAL AT CUSTODIAN (DWAC) OR RECEIPT OF PHYSICAL SECURITIES. CERTAIN CUSTOMER ACCOUNTS HAD LARGE AMOUNTS OF TRANSACTIONS INVOLVING LOW-PRICED SECURITIES TRANSFERRED INTO THE ACCOUNTS VIA DWAC OR PHYSICAL CERTIFICATE THAT WERE TYPICALLY SOLD SHORTLY AFTER RECEIPT, AND THE PROCEEDS PROMPTLY WIRED OUT OF THE ACCOUNTS. THE FIRM DID NOT ADEQUATELY MONITOR OR REVIEW THESE RECEIPTS OR THEIR SUBSEQUENT LIQUIDATING TRANSACTIONS FOR SUSPICIOUS ACTIVITY. THE FIRM FAILED TO ESTABLISH AND IMPLEMENT AML POLICIES, PROCEDURES AND INTERNAL CONTROLS THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT, AND THE IMPLEMENTING REGULATIONS THEREUNDER. THE FIRM'S WRITTEN AML PROCEDURES FAILED TO ADDRESS HOW EMPLOYEES ARE TO REVIEW, DETECT AND ESCALATE POTENTIALLY SUSPICIOUS ACTIVITY AND TRADING. THE PROCEDURES FAIL TO ADDRESS HOW EXCEPTION REPORTS ARE USED AT THE FIRM AND BY WHOM. THERE WERE NO



PROCEDURES FOR THE DETECTION, REVIEW, AND REPORTING OF SUSPICIOUS ACTIVITY RELATED TO DWACS AND DEPOSIT OF PHYSICAL SECURITIES. THERE WERE ALSO NO PROCEDURES FOR THE DETECTION, REVIEW, AND REPORTING OF SUSPICIOUS ACTIVITY RELATED TO THIRD PARTY JOURNALS AND WIRES. THE INDEPENDENT TEST CONDUCTED BY THE FIRM OF ITS AML SYSTEM IN ONE YEAR WAS INADEQUATE. ALTHOUGH IT STATED A CERTAIN SAMPLE OF CUSTOMER APPLICATIONS, DEPOSITS AND OUTGOING WIRES, WERE REVIEWED, THE FIRM WAS UNABLE TO EVIDENCE SUCH REVIEWS. FURTHER, THE TEST DID NOT ADDRESS CERTAIN RISKS ASSOCIATED WITH THE FIRM'S BUSINESS AND CLIENT BASE INCLUDING TESTING THE FIRM'S PROCEDURES FOR DETECTING SUSPICIOUS ACTIVITY RELATED TO DWACS, PHYSICAL CERTIFICATES AND JOURNALS. THE FIRM'S AML TRAINING, IN TWO YEARS, WAS INADEQUATE IN THAT IT FAILED TO INCLUDE TRAINING SPECIFIC TO THE RISKS ASSOCIATED WITH THE FIRM'S BUSINESS MODEL, NAMELY ITS ONLINE TRADING OPERATION. THE FIRM WAS ALSO UNABLE TO PROVIDE ANY SUPPORTING DOCUMENTATION DEMONSTRATING THE TOPICS THAT WERE ADDRESSED DURING ITS AML TRAININGS IN THOSE YEARS. DURING A PERIOD, ALL THIRTY MUNICIPAL TRADES SAMPLED, ON THE FIRM'S MUNICIPAL TRADE BLOTTER, FAILED TO INCLUDE A TIME OF ENTRY ON THE ORDER TICKETS.

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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	<p>BETWEEN MAY 2008 AND JULY 2011, RESPONDENT FAILED TO ESTABLISH AND IMPLEMENT AN ADEQUATE ANTI-MONEY LAUNDERING (AML) PROGRAM AND RELATED PROCEDURES TO ADEQUATELY IDENTIFY, INVESTIGATE AND RESPOND TO RED FLAGS OF SUSPICIOUS ACTIVITIES. IN ADDITION, RESPONDENT'S INDEPENDENT AML TEST FOR 2009 WAS DEFICIENT AND ITS AML TRAINING FOR 2008 AND 2009 WAS INADEQUATE. BY REASON OF THE FOREGOING, RESPONDENT VIOLATED NASD CONDUCT RULES 3011(A), 3011(B), 3011(C), 3011(E), AND 2110, FINRA RULES 3310(A), 3310(B) AND 2010, AND MSRB RULE G-41.</p> <p>BETWEEN MAY 2008 AND MARCH 2010, IN A SAMPLING OF THIRTY ORDER TICKETS FOR MUNICIPAL SECURITIES ORDERS, ALL THIRTY ORDER TICKETS FAILED TO INCLUDE THE TIME OF ENTRY ON THE TICKETS. BY REASON OF THE FOREGOING, RESPONDENT VIOLATED MSRB RULES G-14 AND G-8(A).</p>
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	05/08/2013



**Docket/Case Number:** [2010021211901](#)

**Principal Product Type:** Equity - OTC

**Other Product Type(s):** DEBT - MUNICIPAL

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** MONETARY FINE OF \$300,000

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/08/2013

**Sanctions Ordered:** Censure  
Monetary/Fine \$300,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM CONSENTED TO THE IMPOSITION OF A CENSURE AND A FINE IN THE AMOUNT OF \$300,000 (\$25,000 OF WHICH PERTAINS TO THE VIOLATIONS OF MSRB RULES G-8(A), G-14 AND G-41).

#### Disclosure 2 of 6

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** FINRA RULE 7450 - FIRSTRAD SECURITIES INC. TRANSMITTED REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS) THAT WERE REJECTED BY OATS FOR CONTEXT OR SYNTAX ERRORS AND WERE REPAIRABLE BUT THE FIRM FAILED TO REPAIR ALL OF THE REJECTED ROES SO THAT THE FIRM FAILED TO TRANSMIT THEM TO OATS.

**Initiated By:** FINRA

**Date Initiated:** 08/14/2011

**Docket/Case Number:** 2009019865701

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**





**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/14/2011

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$7,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** DURING THE PERIOD APRIL 1 THROUGH JUNE 30, 2009, THE FIRM FAILED TO REPAIR 3,067 REJECTED ROES THAT WERE REPORTED TO OATS DURING THE REVIEW PERIOD. THEREFORE, FINRA ALLEGES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 7450.

**Initiated By:** FINRA

**Date Initiated:** 08/14/2011

**Docket/Case Number:** 20090198657-01

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** FINE OF \$7,500

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/14/2011

**Sanctions Ordered:** Censure  
Monetary/Fine \$7,500.00

**Other Sanctions Ordered:****Sanction Details:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500 FOR THIS ACTION.

**Disclosure 3 of 6****Reporting Source:**

Regulator

**Current Status:**

Final

**Allegations:**

SEC RULE 17A-4(F), FINRA RULE 2010, NASD RULE 2110: THE FIRM DID NOT HAVE AVAILABLE, FOR EXAMINATION BY FINRA STAFF, FACILITIES FOR IMMEDIATE, EASILY READABLE PROJECTION OR PRODUCTION OF MICROGRAPHIC MEDIA OR ELECTRONIC STORAGE MEDIA IMAGES AND FOR PRODUCING EASILY READABLE IMAGES, AS REQUIRED BY SEC RULE 17A-4(F)(3)(I). THE FIRM MAINTAINED CERTAIN RECORDS IN ELECTRONIC FORMATS BUT FAILED TO NOTIFY ITS EXAMINING AUTHORITY, FINRA, PRIOR TO EMPLOYING ELECTRONIC STORAGE MEDIA, AS REQUIRED BY SEC RULE 17A-4(F)(2)(I). THE FIRM DID NOT HAVE IN PLACE AN AUDIT SYSTEM PROVIDING FOR ACCOUNTABILITY REGARDING INPUTTING OF RECORDS REQUIRED TO BE MAINTAINED AND PRESERVED UNDER SEC RULE 17A-3 AND 17A-4 TO ELECTRONIC STORAGE MEDIA, AS REQUIRED BY SEC RULE 17A-4(F)(3)(V). AT ALL TIMES, THE FIRM IS REQUIRED TO HAVE THE RESULTS OF SUCH AN AUDIT SYSTEM AVAILABLE FOR EXAMINATION BY THE STAFF OF FINRA. THE FIRM FAILED TO PROVIDE THE REQUIRED ACCESS, PURSUANT TO SEC RULE 17A-4(F)(3)(VII), TO ALLOW A THIRD PARTY VENDOR TO DOWNLOAD INFORMATION FROM THE FIRM'S ELECTRONIC STORAGE MEDIA AND FILE THE REQUIRED UNDERTAKINGS WITH THE PROPER AUTHORITIES, INCLUDING FINRA.

**Initiated By:**

FINRA

**Date Initiated:**

03/01/2011

**Docket/Case Number:**[2009016640101](#)**Principal Product Type:**

No Product

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:**

Other

**Other Sanction(s)/Relief Sought:**

N/A

**Resolution:**

Acceptance, Waiver &amp; Consent(AWC)



**Resolution Date:** 03/01/2011

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$20,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS CENSURED AND FINED \$20,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA CITED VIOLATIONS OF SEC RULE 17A-4(F) RELATED TO THE RETENTION OF RECORDS ON ELECTRONIC STORAGE MEDIA. AS A RESULT, COMPOUNDING VIOLATIONS OF NASD CONDUCT RULE 2110 AND FINRA RULE 2010 WERE ALSO CITED.

**Initiated By:** FINRA

**Date Initiated:** 03/01/2011

**Docket/Case Number:** [2009016640101](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 03/01/2011

**Sanctions Ordered:** Censure  
Monetary/Fine \$20,000.00

**Other Sanctions Ordered:**



**Sanction Details:** APPLICANT PAID THE \$20,000 FINE ON 3/9/11.

#### Disclosure 4 of 6

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULES 2110, 3010, 6230(A), 6230(C)(8) - FIRSTRIDE SECURITIES INC. FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES WITHIN 15 MINUTES OF THE TIME OF EXECUTION THAT THE FIRM WAS REQUIRED TO REPORT TO TRACE. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF NASD RULE 6230(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF NASD RULE 2110. THE FIRM FAILED TO REPORT TO TRACE THE CORRECT TIME OF TRADING EXECUTION FOR TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND FINRA RULES CONCERNING TRADE REPORTING OF TRACE-ELIGIBLE SECURITIES.

**Initiated By:** FINRA

**Date Initiated:** 09/04/2009

**Docket/Case Number:** [2008013618101](#)

**Principal Product Type:** Other

**Other Product Type(s):** TRACE-ELIGIBLE SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 09/04/2009

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure



Monetary/Fine \$12,500.00

**Other Sanctions Ordered:**

**Sanction Details:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$12,500.

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**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

NASD RULES 2110, 3010, 6230(A), 6230(C)(8) - THE FIRM FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES WITHIN 15 MINUTES OF THE TIME OF EXECUTION THAT THE FIRM WAS REQUIRED TO REPORT TO TRACE. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF NASD RULE 6230(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF NASD RULE 2110. THE FIRM FAILED TO REPORT TO TRACE THE CORRECT TIME OF TRADING EXECUTION FOR TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES REGULATIONS AND FINRA RULES CONCERNING TRADE REPORTING OF TRACE-ELIGIBLE SECURITIES.

**Initiated By:**

FINRA

**Date Initiated:**

09/04/2009

**Docket/Case Number:**

[2008013618101](#)

**Principal Product Type:**

Debt - Corporate

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

Censure

**Other Sanction(s)/Relief Sought:**

MONETARY FINE

**Resolution:**

Acceptance, Waiver & Consent(AWC)

**Resolution Date:**

09/04/2009

**Sanctions Ordered:**

Censure  
Monetary/Fine \$12,500.00

**Other Sanctions Ordered:****Sanction Details:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. THEREFORE, THE FIRM IS CENSURED AND FINED \$12,500 FOR THIS ACTION.

**Disclosure 5 of 6****Reporting Source:**

Regulator

**Current Status:**

Final

**Allegations:**

NASDAQ RULES 3010, 4613(E), 4755(A)(4) - FIRSTRIDE SECURITIES INC. FAILED TO REASONABLY AVOID DISPLAYING AND ENGAGED IN A PATTERN OR PRACTICE OF DISPLAYING QUOTATIONS THAT LOCKED OR CROSSED A PROTECTED QUOTATION, IN THAT IT ENTERED INTERMARKET SWEEP ORDERS INTO THE NASDAQ SINGLEBOOK EXECUTION SYSTEM THAT LOCKED OR CROSSED A QUOTATION PREVIOUSLY DISSEMINATED PURSUANT TO AN EFFECTIVE NATIONAL MARKET SYSTEM PLAN AND FAILED TO SIMULTANEOUSLY ROUTE AN INTERMARKET SWEEP ORDER TO EXECUTE AGAINST THE FULL DISPLAYED SIZE OF THE LOCKED OR CROSSED PROTECTED QUOTE. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASDAQ RULES CONCERNING LOCKED AND CROSSED MARKETS.

**Initiated By:**

NASDAQ STOCK MARKET

**Date Initiated:**

04/27/2009

**Docket/Case Number:**

2008013209801

**Principal Product Type:**

Other

**Other Product Type(s):**

NASDAQ SECURITIES

**Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:**

Acceptance, Waiver &amp; Consent(AWC)

**Resolution Date:**

04/27/2009



**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$10,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$10,000 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING LOCKED AND CROSSED MARKETS WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NASDAQ REVIEW COUNCIL.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** NASDAQ RULES 3010, 4613(E), 4755(A)(4) - THE FIRM FAILED TO REASONABLY AVOID DISPLAYING AND ENGAGED IN DISPLAYING QUOTATIONS THAT LOCKED OR CROSSED A PROTECTED QUOTATION, IN THAT IT ENTERED INTERMARKET SWEEP ORDERS INTO THE NASDAQ SINGLEBOOK EXECUTION SYSTEM THAT LOCKED OR CROSSED A QUOTATION PREVIOUSLY DISSEMINATED PURSUANT TO AN EFFECTIVE NATIONAL MARKET SYSTEM PLAN AND FAILED TO SIMULTANEOUSLY ROUTE AN INTERMARKET SWEEP ORDER TO EXECUTE AGAINST THE FULL DISPLAYED SIZE OF THE LOCKED OR CROSSED PROTECTED QUOTE. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS, AND NASDAQ RULES CONCERNING LOCKED AND CROSSED MARKETS.

**Initiated By:** NASDAQ STOCK MARKET

**Date Initiated:** 04/27/2009

**Docket/Case Number:** 2008013209801

**Principal Product Type:** Other

**Other Product Type(s):** NASDAQ SECURITIES

**Principal Sanction(s)/Relief Sought:** Censure



<b>Other Sanction(s)/Relief Sought:</b>	MONETARY FINE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	04/27/2009
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$10,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKING
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. THEREFORE, THE FIRM IS CENSURED, FINED \$10,000 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING LOCKED AN CROSSED MARKETS WITHIN 30 BUSINESS DAYS.

#### Disclosure 6 of 6

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	RESPONDENT MEMBER , ACTING THROUGH LIU: FAILED TO DEVELOP A CONTINUING EDUCATION TRAINING NEEDS ANALYSIS; FAILED TO DEVELOP A CONTINUING EDUCATION TRAINING PLAN; FAILED TO EVIDENCE THAT TRAINING HAD TAKEN PLACE; FAILED TO ESTABLISH, MAINTAIN AND ENFORCE ADEQUATE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NASD RULE 1120. (NASD RULES 1120, 1120(B)(2), 2110, 3010)
<b>Initiated By:</b>	NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
<b>Date Initiated:</b>	08/05/1999
<b>Docket/Case Number:</b>	C10990120
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Censure
<b>Other Sanction(s)/Relief Sought:</b>	\$3,500.00 FINE, J&S
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	08/05/1999





**Sanctions Ordered:** Censure  
Monetary/Fine \$3,500.00

**Other Sanctions Ordered:**

**Sanction Details:** \$3,500.00 FINE, J&S; CENSURE

**Regulator Statement** 03-03-00, \$3,500 PAID J&S ON 8/24/99, INVOICE #99-10-686

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** IN 1997 AND 1998 FAILED TO DEVELOP A WRITTEN CONTINUING TRAINING NEEDS ANALYSIS, WRITTEN CONTINUING EDUCATION TRAINING PLAN AND EVIDENCE THAT TRAINING HAD TAKEN PLACE. FAILED TO ESTABLISH, MAINTAIN AND ENFORCE ADEQUATE WRITTEN SUPERVISORY PROCEDURES TO ACHIEVE COMPLIANCE WITH RULE 1120.

**Initiated By:** NASD REGULATION, INC.

**Date Initiated:** 01/26/1999

**Docket/Case Number:** C10990120

**Principal Product Type:** Equity Listed (Common & Preferred Stock)

**Other Product Type(s):** EQUITY OTC, MUTUAL FUNDS, LISTED OPTIONS

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** FINE OF \$3,500

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/05/1999

**Sanctions Ordered:** Censure  
Monetary/Fine \$3,500.00

**Other Sanctions Ordered:**

**Sanction Details:** FINE OF \$3,500 WAS PAID ON 8/16/99.

**Firm Statement** APPLICANT'S AWC OF CENSURE AND FINE OF \$3,500 WAS ACCEPTED BY NASD REGULATION, INC. IN REGARD TO THE CLAIM THAT IN 1997 AND 1998 FAILED TO DEVELOP A WRITTEN CONTINUING TRAINING NEEDS ANALYSIS, WRITTEN CONTINUING EDUCATION TRAINING PLAN AND EVIDENCE THAT TRAINING HAD TAKEN PLACE. FAILED TO ESTABLISH, MAINTAIN AND



ENFORCE ADEQUATE WRITTEN SUPERVISORY PROCEDURES TO ACHIEVE COMPLIANCE WITH RULE 1120.



## Arbitration Award - Award / Judgment

Brokerage firms are not required to report arbitration claims filed against them by customers; however, BrokerCheck provides summary information regarding FINRA arbitration awards involving securities and commodities disputes between public customers and registered securities firms in this section of the report.

The full text of arbitration awards issued by FINRA is available at [www.finra.org/awardsonline](http://www.finra.org/awardsonline).

### Disclosure 1 of 2

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-ERRORS-CHARGES; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	08/21/2007
<b>Case Number:</b>	<a href="#">07-02188</a>
<b>Disputed Product Type:</b>	NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES
<b>Sum of All Relief Requested:</b>	\$24,967.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	01/18/2008
<b>Sum of All Relief Awarded:</b>	\$25,392.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

### Disclosure 2 of 2

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	04/03/2012
<b>Case Number:</b>	<a href="#">12-00960</a>



**Disputed Product Type:** COMMON STOCK  
**Sum of All Relief Requested:** \$22,155.70  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 08/24/2012  
**Sum of All Relief Awarded:** \$22,155.71

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

**End of Report**



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