

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20050001656-02

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

RE: Pension Financial Services, Inc., Respondent
Broker-Dealer
CRD No. 25866

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Pension Financial Services, Inc. (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

The firm has been a member of FINRA since November 27, 1990.

RELEVANT DISCIPLINARY HISTORY

The firm has no prior relevant disciplinary history.

FACTS AND VIOLATIVE CONDUCT

In Matter No. 20050001656, the staff of the Department of Market Regulation reviewed the firm's fixed income trading during the period from February 1, 2003 through January 31, 2004 (the "review period").

MJD 20050001656

000009212 2009

1. During the review period, in two transactions, the firm sold (bought) corporate bonds to (from) customers and failed to sell (buy) such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of the transaction, the expense involved and that the firm was entitled to a profit. The transactions are identified on Exhibit A which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110.
2. The firm failed to show: (a) the time the order was received, and (b) the correct time of execution on the memorandum of 24 orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Rule 3110.
3. The firm failed to report to TRACE the correct time of trade execution for 26 transactions in TRACE-eligible securities. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(c).
4. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of NASD, concerning TRACE reporting requirements. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes a violation of NASD Rules 2110 and 3010.

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

A censure, a fine of \$38,000 (consisting of a fine of \$23,000 for the violations of NASD Rule 2110, \$5,000 for the violations of SEC Rule 17a-3 and NASD Rule 3110, \$5,000 for the violations of NASD Rule 6230, and \$5,000 for the violations of NASD Rules 2110 and 3010), restitution by Respondent to the investors listed on Exhibit A which is attached (specifically, the investors listed in the column entitled "Contra 2" on Exhibit A), in the total amount of \$22,663, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this AWC is accepted by the National Adjudicatory Council, and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I. A. 4.

A registered principal of the firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution, to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850 or in an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, no later than 120 days after acceptance of this AWC. If for any reason, Respondent cannot locate any customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer is known to have last resided.

Within 30 business days of acceptance of this AWC by the NAC, a registered principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph I. A. 4; and (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. It 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(s) imposed in this matter.

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;
- 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 Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, 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 response to public inquiries about the firm's disciplinary record;
 - 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 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.

7/2/09
Date

Respondent
Penson Financial Services, Inc.

By: [Signature]
Name: Bill Janczy
Title: President

Reviewed by:

[Signature]
Andrew Southerling, Esq.
Counsel for Respondent
Morgan, Lewis & Bockius LLP
1111 Pennsylvania Avenue, N. W.
Washington, D.C. 20004-2541
(202) 739-5062

Accepted by FINRA:

7/29/09
Date

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

[Signature]
Thomas R. Gira
Executive Vice President
Department of Market Regulation

Penston Financial Services, Inc.
Matter No. 20050001658

Exhibit A

Item No.	Date	Cusip Id	Issue	Quantity	Contra 1*	Trade 1 Time	Trade 1 Price	Firm	Contra 2*	Trade 2 Time	Trade 2 Price	Mark-up	Mark-down	Spread	Restitution
1	3/10/2003	02378GAF1	AMR.TN	1250	C (S)	15:06:57	11	SRAM	C (B)	15:18:50	15			38.36%	15,663.00
3	9/17/2003	043413AE3	AROLGB	500	C (S)	11:09:47	23	SRAM	C (B)	11:17:09	29			26.09%	7,000.00

* Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm.

**Corrective Action Statement By Penson Financial Services, Inc.
Accompanying
Letter of Acceptance, Waiver and Consent in matter
STAR No. 20050001656**

This Corrective Action Statement is submitted by Respondent, Penson Financial Services, Inc. ("Penson" or "the Firm"). It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

Penson has already adopted policies and supervisory procedures addressing the deficiencies set forth in paragraph I.A.4. of the foregoing Letter of Acceptance, Waiver and Consent. In particular, the Firm has adopted written supervisory procedures providing for (a) identification of the persons responsible for supervision with respect to applicable rules, (b) the supervisory steps to be taken by the identified persons, (c) how often those steps are to be taken by the identified persons, and (d) how completion of those steps is to be documented and retained.