

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
No. 20050004740-01**

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REGISTRATION & DISCLOSURE

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

RE: A.G. Edwards & Sons, Inc., Respondent
Broker-Dealer
CRD No. 4

Pursuant to NASD Rule 9216 of the FINRA Code of Procedure, A.G. Edwards & Sons, 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

AGED entered the securities industry on August 28, 1939 as a member of NASD and its registration at FINRA remains in effective.

RELEVANT PRIOR DISCIPLINARY HISTORY

On May 2, 2007, the SEC accepted a settlement offer that found that AGED had committed supervisory violations relating to illegal market timing schemes and imposed sanctions upon the firm of a censure, a fine of \$1,500,000, disgorgement of \$1,930,000, and prejudgment of \$430,000. On April 14, 2007, NASD accepted an AWC that found that AGED committed equity best execution and trade reporting violations and imposed sanctions of a censure and a fine of \$17,500. On July 25, 2006, NASD accepted an AWC that found that AGED committed a

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supervision violation, a registration violation, and best execution violations relating to corporate bond transactions. NASD imposed sanctions of a censure, a \$125,000 fine, and restitution of \$17,017.50. On July 21, 2004, NASD accepted an AWC that found that AGED violated MSRB Rules G-17 and G-30(a) when the firm failed to ensure that certain transactions with customers between July 2002 and May 2003 were executed at prices that were fair and reasonable. NASD imposed sanctions of a censure, a fine of \$5,000 and restitution of \$4,549.90.

OVERVIEW

This matter is the result of a review by the Fixed Income Section of the Market Regulation Department of FINRA of both the municipal and corporate bond trading activity of the firm during the review period January 2004 through September 2004.

FACTS AND VIOLATIVE CONDUCT

1. During the review period, in three transactions as reflected in Exhibit A, the firm sold corporate bonds to customers and failed to sell 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 conduct described in this paragraph constitutes separate and distinct violations of NASD Conduct Rules 2110, 2440 and IM-2440.
2. During the review period, in five transactions as reflected in Exhibit B, the firm purchased municipal securities for its own account from a customer and/or sold municipal securities for its own account to a customer at an aggregate price (including any mark-down or mark-up) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the broker, dealer, or municipal securities dealer is entitled to a profit, and the total dollar amount of the transaction. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rules G-17 and G-30(a).

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

A censure and a fine of \$10,000.¹

¹ The firm previously compensated its customers in full for any prices it charged concerning the subject transactions that were unfair.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) 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.

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 Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal 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 NASD Rule 9143 or the separation of functions prohibitions of NASD 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 NASD 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 NASD Rule 8310 and IM-8310-3; 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 firm certifies that it 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.

12-7-07
Date

Respondent
A.G. Edwards & Sons, Inc.
By: John B. Harrington
Name: JOHN B. HARRINGTON
Title: VICE PRESIDENT

Reviewed by:
Nicholas J. Chapel
Attorney Name
Counsel for Respondent

Accepted by FINRA:

3/3/08
Date

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

Thomas R. Gira
Thomas R. Gira
Executive Vice President
Department of Market Regulation

A.G. Edward's and Sons, Inc. ("AGED")
Review Period: January 2004 through September 2004
Review # 20050004740
Final Exhibit with Restitution

Exhibit A

Corporates

ITEM	EXEC DATE	EXEC TIME	MPID	B/S	ISSUE	CUSIP	PRICE	VOLUME	CONTRA MPID	BUY	SELL	QUANTITY	VOLATIVE MARK UP OR MARK-DOWN	RESTITUTION
1	1/26/2004	14:14:38	AGED	B	C.HCV	172987CC30	101.944	30	BDIR	\$101.9440	\$106.0000	30000	3.98%	\$876.00
	1/26/2004	13:40:37	AGED	S	C.HCV		106	30	C					
4	3/31/2004	2:10:48	AGED	B	BKMM	08406JES00	97.26	50	WRET	\$97.2600	\$101.0000	50000	3.85%	\$1,250.00
	3/31/2004	17:33:02	AGED	S	BKMM		101	50	C					
18	8/9/2004	15:59:01	AGED	B	GNW.GA	37247DAB20	105.171	200	GSCO	\$105.1710	\$108.3650	200000	3.04%	\$3,330.00
	8/9/2004	15:59:01	AGED	S	GNW.GA		108.365	200	C					

Total Restitution = \$5,456.00

Exhibit B

Municipals

ITEM	EXEC DATE	EXEC TIME	MPID	B/S	CUSIP	VOLUME	PRICE	CONTRA MPID	BUY	SELL	QUANTITY	VIOLATIVE MARK-UP OR MARK-DOWN	RESTITUTION
6	6-Apr-04	11:09:00	BLPC	S	056559AK3	25000	94.982	AGED	\$94.9620	\$98.0000	25000	4.25%	\$290.00
	6-Apr-04	15:34:00	AGED	S		25000	99	C					
14	3-May-04	14:20:00	RBII	S	056559AM9	50000	87.976	AGED	\$87.9760	\$82.9200	50000	5.62%	\$597.50
	3-May-04	12:06:00	AGED	S		50000	92.92	C					
15	10-May-04	14:09:00	WOHU	S	888806AD8	10000	86.71	AGED	\$86.7100	\$82.0000	10000	6.10%	\$129.00
	10-May-04	15:30:00	AGED	S		10000	92	C					
20	21-May-04	14:25:00	C	S	392274PZ3	15000	95.303	AGED	\$95.3030	\$100.0000	15000	3.21%	\$168.75
	21-May-04	16:51:00	AGED	S		15000	100	C					
21	21-May-04	10:54:00	C	S	407287BR1	20000	96.60	AGED	\$96.6000	\$100.0000	20000	3.52%	\$280.00
	21-May-04	17:18:00	AGED	S		20000	100	C					

Total Restitution = \$1,465.25