

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2005000977301**

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REGISTRATION & DISCLOSURE

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

RE: Chase Investment Services Corp.
(CRD No. 25574)

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, Chase Investment Services Corp. ("Respondent") 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 Respondent 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

Chase Investment Services became a member of FINRA (f/k/a National Association of Securities Dealers, Inc. or NASD) in March 1990 and registered with the Securities and Exchange Committee ("SEC") on January 12, 1990. Respondent engages in activities involving, among other things, mutual fund retailing, retailing corporate equity securities over-the-counter, selling corporate debt securities, and acting as a municipal securities broker-dealer. Respondent's membership with FINRA and registration with the SEC currently remain in effect.

RELEVANT PRIOR DISCIPLINARY HISTORY

In December 2005, Respondent consented to an AWC in which it was censured, fined \$150,000, ordered to pay restitution, and comply with certain undertakings for: its failure to have adequate procedures and to take adequate steps relating to the block letters it received from mutual funds and/or their distributors that placed restrictions on future transactions by market timing customers; its failure to conduct any follow-up and review to ensure that the terms of the block letters were enforced; its failure to have an adequate supervisory system to prevent and detect

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customers circumventing the block letter restrictions; and its failure to have written supervisory procedures relevant to mutual fund market timing activity.

INTRODUCTION

Some mutual fund companies sell shares that charge front-end loads. These mutual fund companies typically offer discounts at certain pre-determined levels of investments, which are called "breakpoints." These discounts are commonly referred to as "breakpoint discounts."

In March 2003, FINRA required certain member firms that sold front-end load mutual funds to conduct a self-assessment of breakpoint compliance (the "Self-Assessment"). FINRA provided the firms with instructions and interpretative guidance on how to complete the Self-Assessment and report the results.

Based on its evaluation of the submitted Self-Assessment reports, FINRA directed about 450 member firms to send letters and claim forms to their customers who purchased front-end load mutual funds, notifying them that they might be due refunds as a result of the firms' failures to provide breakpoint discounts. In addition, FINRA directed approximately 175 of those firms with poor records of providing breakpoint discounts to complete a comprehensive review of transactions for possible missed breakpoints (the "Trade-by-Trade Review"). The level of remediation that FINRA required of member firms was based upon the data each firm reported in the Self-Assessment. In addition, FINRA commenced formal disciplinary action against those firms that had the most serious deficiencies in awarding breakpoint discounts to customers.

In August 2003, FINRA issued Notice to Members 03-47, which, in providing guidance to firms on the capital treatment of breakpoint refunds issued through the Self-Assessment and Trade-by-Trade Review processes, informed firms that FINRA expected that refunds would be made to customers expeditiously.

This matter grows out of a national examination that FINRA began conducting in 2005 ("the Breakpoint Self-Assessment Follow-Up Review"). The primary purpose of the Breakpoint Self-Assessment Follow-Up Review was to verify compliance with the instructions for the Self-Assessment and Trade-by-Trade Review and to assess whether firms timely and accurately completed remedial steps that FINRA required in 2003. The Breakpoint Self-Assessment Follow-Up Review also sampled firms' efforts between 2004 and 2005 to assure that customers received breakpoint discounts on an ongoing basis.

The Breakpoint Self-Assessment Follow-Up Review conducted for Chase Investment Services Corp. found that the firm failed to adequately assess the existence of available breakpoint discounts for certain transactions within a sample of the firm's mutual fund transactions during the period of October 2004 through April 2005, as discussed below. In addition, Chase Investment Services Corp. failed to have adequate supervisory procedures to ensure that customers were receiving the benefit of all applicable breakpoint discounts, as discussed below. By reason of the foregoing, Respondent violated NASD Conduct Rules 2110 and 3030, respectively.

FACTS AND VIOLATIVE CONDUCT

FINRA reviewed a sample of Respondent's mutual fund transactions for the period of October 1, 2004 through April 30, 2005 ("relevant period") and found that Respondent did not adequately provide customers with available breakpoint discounts. The staff found that Respondent failed to provide the appropriate discount for transactions effected during this period.

During the relevant period, Respondent failed to establish, maintain and enforce written procedures that were reasonably designed to ensure that customers were receiving the benefit of all applicable breakpoint discounts.

By reason of the aforementioned conduct, Respondent violated NASD Conduct Rules 2110 and 3010.

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

- A censure and a fine in the amount of \$32,500.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable.

Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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 Formal Complaint issued specifying the allegations against it;
- 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, Respondent 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.

Respondent 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

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 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 it;
- 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 response to public inquiries about Respondent'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. 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 Respondent's 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.

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Respondent certifies that a duly authorized representative has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent 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 Respondent to submit it.

4/22/08
Date

Chase Investment Services Corp.

By: D. Banister

DEANNA BANISTER

Its: PRESIDENT

Reviewed by:

Counsel for Respondent

Accepted by FINRA:

March 23, 2009
Date

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

[Signature]
Marcietta Kerr

Principal Regional Counsel
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