

RECEIVED

2009 MAR 23 A 5:24
REGISTRATION & DISCLOSURE

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20050011588**

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

RE: Intersecurities, Inc., Respondent
Member Firm
BD No. 16164

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, Intersecurities, Inc. ("ISI") 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 ISI 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

ISI (BD No. 16164) is a registered broker-dealer with its principal place of business in St. Petersburg, Florida. It has been a member of FINRA (f/k/a National Association of Securities Dealers or NASD) since March 19, 1985. ISI is full-service broker dealer with nearly 2,000 registered representatives in over 200 branch offices.

RELEVANT DISCIPLINARY HISTORY

On April 10, 2003, ISI was censured and fined \$125,000 for, among other things, failing to report certain customer complaints, failing to maintain and preserve all written customer complaints, failing to conduct adequate supervisory reviews of complaint handling process, and failing to have adequate supervisory systems and procedures for the sale of variable annuities in violation of NASD Conduct Rules 2110, 2310, 3010, 3070, and 3110, and Interpretative Memorandum 3110(B), and NASD Membership and Registration Rule 1031. On November 30, 2004, ISI was

000090084 2009

censured and fined \$125,000 for filing 120 late Forms U4 and U5, in contravention of Article V, Section 2(c) and 3(b) of FINRA's By-Laws, in violation of NASD Conduct Rule 2110, and for failing to have reasonably designed supervisory systems and procedures designed to achieve compliance with its Article V reporting obligations in violation of NASD Conduct Rule 3010.

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 ISI found that the firm failed to accurately complete the Trade-by-Trade Review, as discussed below. By reason of the foregoing, Respondent violated NASD Conduct Rule 2110.

FACTS AND VIOLATIVE CONDUCT

ISI was required to conduct a Trade-by-Trade review as part of its remediation process following the Self-Assessment. FINRA found that this review was not accurately completed.

By reason of the aforementioned conduct, ISI violated NASD Conduct Rule 2110.

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

- A censure and a fine in the amount of \$50,000.

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 Respondent 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 prejudice 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.

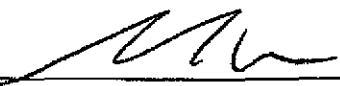
Respondent certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of

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.

Intersecurities, Inc.

4-28-08
Date

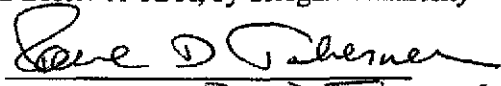
By:


Michael Scherrman
Vice President and COO

Accepted by FINRA:

3/23/09
Date

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


~~Paul M. Tyrrell~~ Paul D. Taberner
Sr. Special Regional Counsel
FINRA
99 High Street, 9th Floor
Boston, MA 02110
(617) 532-3426 (telephone)
(202) 721-6585 (facsimile)
paul.tyrrell@finra.org (e-mail)

Statement of Corrective Actions

RE: Transmittal of Letter of Acceptance, Waiver and Consent
InterSecurities, Inc. – 20050011588

Since 2003, when ISI conducted its Trade-by-Trade review referenced in the AWC, ISI has implemented the following corrective actions:

1. Increased frequency of breakpoint monitoring
2. Implemented Sungard trade monitoring system to review for breakpoint transactions
3. Added alerts to order entry screens to remind representatives of breakpoints, ROA and LOIs



Dionne C. Fajardo
Vice President, Regulatory Compliance

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.