

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2005001713201

Department of Enforcement
NASD

FTN Financial Securities Corp., Respondent
[CRD No. 46346]

Pursuant to Rule 9216 of NASD Code of Procedure, FTN Financial Securities Corp. submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against me alleging violations based on the same factual findings.

We understand that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against us; and
3. If accepted:
 - a. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against us;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about our disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. We 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. Nothing in this provision affects our testimonial obligations or right to take legal or factual positions in litigation or other proceedings in which NASD is not a party.

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DISCIPLINARY & COMPLAINTS

We also understand that our experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

FTN Financial Securities Corp. has been a member of NASD since May 19, 1999. During all periods mentioned herein, FTN Financial Securities Corp. was a registered broker-dealer with the United States Securities and Exchange Commission and a member of NASD, which registration and membership remain currently in effect. FTN Financial Securities Corp. has not been the subject of any relevant formal disciplinary action by any regulatory body within the past five years.

WAIVER OF PROCEDURAL RIGHTS

We specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against us;
- 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, we specifically and voluntarily waive 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.

We further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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.

II.

ACCEPTANCE AND CONSENT

- A. We hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding in which NASD is a party, prior to a hearing and without adjudication of any issue of law or fact, to the entry of the following findings by NASD:
- 1 SEC Rule 15c-3-3 ("The Customer Protection Rule") requires broker-dealers that receive customers' funds or securities to open and maintain an account with a bank entitled "Special Reserve Bank Account for the Exclusive Benefit of Customers" ("Reserve Bank Account") that shall be separate from any other bank account of the broker-dealer. The Reserve Bank Account shall hold customers' deposits of cash and/or qualified securities in amounts computed according to a Reserve Formula Computation ("the Formula").¹
 2. During the period of January 28, 2005 through March 24, 2005, FTN failed to comply with SEC Rule 15c3-3, in that on seven separate occasions, it failed to deposit in the Reserve Bank Account amounts required to satisfy its reserve requirement as computed according to the Formula. On the seven dates that FTN Reserve Bank Account failed to have sufficient deposits, the amounts of under-funding ranged from \$9 million to in excess of \$208 million. The deposit deficiencies resulted from inaccurate calculation by FTN of the required customer reserve.

Such acts, practices, and conduct constitute separate and distinct violations of SEC Rule 15c3-3(e)(3) and NASD Conduct Rules 2110 and 3110.

- B. We also consent to the imposition, at a maximum, of the following sanctions:

A censure and a monetary fine in the amount of \$25,000 to be assessed against FTN Financial Securities Corp.

¹ The Customer Protection Rule created requirements that were aimed at protecting customers' funds and securities from broker-dealer misuse and ensuring that these assets would be available for distribution in the event of the broker-dealer's failure. The Customer Protection Rule's possession or control requirements were designed to protect customers' securities by ensuring that the broker-dealer either had possession of customers' fully paid and excess margin securities or kept them in a good control location. In addition, the Customer Protection Rule ensures that customers' funds are protected and available to pay customers if the broker-dealer must liquidate, by requiring the broker-dealer to compute the amount of funds that must be segregated from its operations in the Reserve Bank Account. The bank which agrees to open the Reserve Bank Account for the broker-dealer and holds the customers' funds and/or securities must agree that it will not attach the deposits in the Reserve Bank Account if the broker-dealer defaults on any loans from that bank.

The sanctions imposed herein shall be effective on a date set by NASD staff.

III.

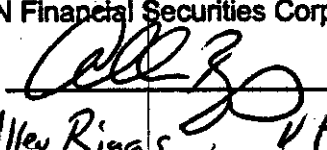
OTHER MATTERS

- A. We understand that we may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we 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 NASD, nor does it reflect the views of NASD or its staff.
- B. We agree to pay any monetary sanctions imposed on us upon notice that this AWC has been accepted and that such payments are due and payable as noted above and have attached an Election of Payment form showing the method by which we propose to pay any fine imposed.
- C. We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

We certify that we have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce us to submit it.

10/13/06
Date

FTN Financial Securities Corp.

By: 
Allen Riggs VP
[Name and Title]

Reviewed by:


Counsel for Respondent
FTN Financial Securities Corp.

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And Consent
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Accepted by NASD:

October 24, 2006
Date

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



Laura Leigh Blackston,
Regional Counsel
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New Orleans, Louisiana 70163-0802
Phone: 504/522-6527
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District Director
Keith E. Hinrichs
NASD, District No. 5
1100 Poydras Street, Suite 850
New Orleans, Louisiana 70163-0802

Attachment: Election of Payment Form

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

In order to maintain compliance with the SEC Rule 15c-3-3 ("The Customer Protection Rule"), the Respondent considers credits in suspense accounts aged over 7 business days as free credits in the calculation of the customer reserve account requirement. The Respondent also maintains amounts in excess of the weekly computation of the customer reserve requirement on deposit in a bank account entitled "Special Reserve Bank Account for the Exclusive Benefit of Customers"

FTN FINANCIAL SECURITIES CORP
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FTN Financial Securities Corp is a wholly owned subsidiary of First Tennessee Bank National Association. Member NASD and SIPC (<http://www.sipc.org/>).