

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20050034122-01

RECEIVED

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REGISTRATION & DISCLOSURE

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

RE: Christopher Michael Hannan, Respondent


(CRD No. 2318959)

Pursuant to NASD Rule 9216 of the FINRA Code of Procedure, I, Christopher Michael Hannan ("Respondent" or "Hannan"), submit 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, 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 AND DISCIPLINARY HISTORY

Hannan first became registered with FINRA August 17, 1992. Between July 1995 and July 2002, Hannan was a registered representative with three different member firms. On September 9, 2002, Hannan became a registered representative with First Albany Capital, Inc. ("FACT"), where he was employed until October 2005. From December 2005 until December 2007, Hannan was a registered representative with Montgomery & Co., LLC. Hannan has not been registered with a member firm since December 31, 2007.

Hannan has no disciplinary history.

FACTS AND VIOLATIVE CONDUCT

1. On August 29, 2005 (the "trading day"), FACT received a 50,000 share buy order (the "customer buy order") for Ditech Networks Corp. stock ("DITC") from an institutional customer. Hannan was the FACT trader that handled the customer buy order.
2. In order to facilitate the customer buy order, Hannan knowingly and intentionally engaged in trading activity that stabilized or decreased the price of DITC on the trading day. To do so, Hannan utilized the following devices in his trading activity:
 - (a) Hannan entered non-bona fide sell orders that were the largest displayed in DITC throughout the trading day, representing greater than the average daily volume for DITC as of the trading day. In total, Hannan entered 34 non-bona fide sell orders ranging in size from 1,100 shares to 10,000 shares. These trades were reported to the National Securities Exchange, a national securities exchange as provided for by Section 6 of the Securities Exchange Act of 1934.
 - (b) In addition to buy orders placed in filling the customer buy order, Hannan entered non-bona fide buy orders of the same or similar size as the non-bona fide sell orders. In 55 instances during the trading day, these non-bona fide buy orders wholly or partially executed against the non-bona fide sell orders. When the non-bona fide buy orders did not wholly execute against the non-bona fide sell orders, Hannan entered cancellations for the remaining shares of the non-bona fide sell order.
 - (c) As a result of the size of the non-bona fide sell and buy orders that Hannan entered and the fact that the buy and sell orders executed against each other, Hannan created a false appearance of sell side activity that caused the price of DITC to stabilize or decrease during the trading day. This activity allowed Hannan to accumulate shares through several additional executions in DITC in order to fill the customer buy order throughout the trading day at prices lower than would have been available absent the artificially created downward price pressure resulting from the entry of non-bona fide orders.
3. The conduct in paragraph two constitutes violations of Section 9(a)(1) and 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 promulgated thereunder, and NASD Conduct Rules 2110, 2120, 3310 and IM-3310.

B. I also consent to the imposition of the following sanctions:

- A two and a half month (ten week) suspension in all capacities; and
- A fine of \$30,000.

I agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable in accordance with the terms hereof. I have submitted an Election of Payment form showing the method by which I propose to pay the fine imposed.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The fine shall be due and payable either immediately upon re-association with a member firm following the two and a half month (ten week) term of suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

I understand that if I am suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1.)

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

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against me;
- 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, I specifically and voluntarily waive 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.

I further specifically and voluntarily waive 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

I understand that:

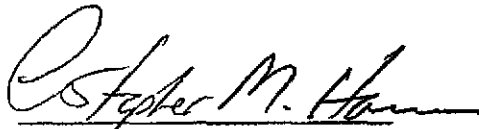
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAG, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. I 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. I 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

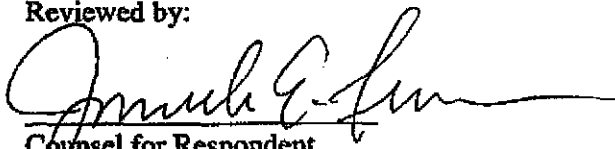
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me to submit it.

6-12-08
Date


Christopher M. Hannan

Reviewed by:


Counsel for Respondent
Joseph Floren, Esquire
Morgan, Lewis & Bockius LLP
One Market, Spear Street Tower
San Francisco, CA 94005-1596

Accepted by FINRA:

7/11/08
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

CORRECTIVE ACTION STATEMENT

Submitted by
Christopher M. Hannan
(CRD No. 2318959)

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.

After this matter was brought to Hannan's attention in late 2005, Hannan took steps to ensure that the trading systems at his broker-dealer were properly configured so as to prevent any execution of non-bona-fide buy or sell orders.