

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20060045034-01**

RECEIVED
2006 OCT 21 P 3:17
REGISTRATION & DISCLOSURE

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

RE: Carr Securities Corporation, Respondent
Broker-Dealer
CRD No. 1404

Pursuant to Rule 9216 of FINRA Code of Procedure, Carr Securities Corporation (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 AND RELEVANT DISCIPLINARY HISTORY

The firm became a member of NASD in April 1959, and its registration remains in effect. It has no relevant disciplinary history.

FACTS AND VIOLATIVE CONDUCT BY RESPONDENT

This matter arose out of the 2006 Trading and Market Making Surveillance Examination of the firm by the staff of the Department of Market Regulation. The matters that were review are described in the attached Exhibit 1.

1. The firm failed to report to the Trade Reporting Facility the cancellation of 25 trades previously submitted to the Trade Reporting Facility. The conduct described in this paragraph constitutes separate

000062296 2008

and distinct violations of NASD Marketplace Rule 4632(g).

2. The firm failed to report to the OTC Reporting Facility the cancellation of three trades previously submitted to the OTC Reporting Facility. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6620(f).
3. The firm executed one short sale transaction and failed to report the transaction to the Trade Reporting Facility with a short sale modifier. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6130.
4. The firm incorrectly reported to the OTC Reporting Facility the second leg of one "riskless" principal transaction in a designated security because it incorrectly designated the capacity of such transaction as "principal." The firm failed to submit to the OTC Reporting Facility, for the offsetting, "riskless" portion of one "riskless" principal transaction in a designated security, either a clearing-only report with a capacity indicator of "riskless principal," or a non-tape, non-clearing report with a capacity indicator of "riskless principal." The firm incorrectly reported a trade as riskless principal that was not a riskless principal trade. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6620(d).
5. The firm failed to preserve for a period of not less than three years, the first two in an accessible place, the memorandum of two brokerage orders. The firm failed to show the time of entry, or the correct time of entry, on the memorandum of six brokerage orders. The firm failed to show the correct time of execution on the memorandum of three brokerage orders. The firm failed to show whether an order was a market or limit order on the memorandum of 74 brokerage orders. The firm failed to show whether an order was a market or limit order and failed to document its capacity on the memorandum of 36 brokerage orders. The firm failed to show the time of entry and the execution time on the memorandum of one brokerage order. The firm failed to show the time of entry and whether the order was a market or limit order on the memorandum of five brokerage orders. The firm failed to show the time of execution on the memorandum of one brokerage order. The firm failed to show the correct execution time and whether the order was a market or limit order on the memorandum of one brokerage order. The conduct described in this paragraph constitutes a violation of SEC Rules 17a-3, 17a-4 and NASD Conduct Rule 3110.
6. The firm failed on four occasions to provide written notification disclosing to its customer its correct capacity in the transaction, and to

provide written notification disclosing to its customer that the transaction was executed at an average price. The firm failed on four occasions to provide written notification disclosing to its customer its correct capacity in the transaction. The firm failed on one occasion to provide written notification disclosing to its customer that the transaction was executed at an average price, and on one occasion incorrectly disclosed that a transaction was executed at an average price. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.

- B. The firm also consents to the imposition, at a maximum, of the following sanctions:
1. A censure; and
 2. A fine of \$16,000 (consisting of \$7,500 for trade reporting violations; \$6,000 for recordkeeping violations; and \$2,500 for customer confirmation violations)

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 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.

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;

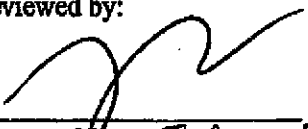
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
 4. The firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly 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.

9/25/08
Date

Respondent
Carr Securities Corporation
By: 
Name: Walter Canucci
Title: President

Reviewed by:


Attorney Name Jeffrey Plotkin
Counsel for Respondent
Firm Name DAY PITNEY LLP
Address One Canterbury Green
City/State/Zip Stamford, CT 06901
Phone Number 212 247-5815

Accepted by FINRA:

10/17/08
Date

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


Thomas R. Gira
Executive Vice President
Department of Market Regulation

09/29/2008
2006 MRE Exam Samples
Carr Securities Corporation ("CARR")
Exam No.: 20060045034

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
50	customer and proprietary sale transactions, for compliance with SEC Rules 200(g) and/or 203(b),	from trade dates January 9-January 20, 2006
69	customer and proprietary sales, for compliance with NASD Rule 6130,	from trade dates January 9-January 20, 2006
0	short sales in NNM securities, for compliance with NASD Rule 3350,	from trade dates January 9-January 20, 2006
0	short sales in CQS securities, for compliance with SEC Rule 10a-1,	from trade dates January 9-January 20, 2006
31	cancelled trades for compliance with NASD Rules 4632(g), 4642(g), 4652(g), 6130(f), 6420(f), and 6620(f),	from trade dates January 24 and 25, 2006
0	limit and market orders executed as principal, for compliance with NASD Rules 2110 (and IM-2110-2), 2111, 6541 and 2320, and SEC Rules 602 and 604,	from trade dates January 9-January 20, 2006
0	"non displayed" limit orders and 0 marketable orders in the same securities received while holding the "non-displayed" orders, for compliance with NASD Rule 2320,	from trade dates January 9-January 20, 2006
1	not held customer market orders, for compliance with NASD Rule 2320,	from trade dates January 9-January 20, 2006
45	limit and market orders and 50 trades executed in a principal or riskless principal capacity, for compliance with capacity reporting under NASD Trade Reporting and ACT rules,	from trade dates January 9-January 20, 2006
4	order for Nasdaq securities in soft dollar accounts and 4 related executions, for compliance with trade reporting rules and the safe harbor limitations of SEC section 28(e),	from trade dates January 9-January 20, 2006
0	open buy limit orders and stop sell limit orders in securities traded ex-dividend, for compliance with NASD Rule 3220,	from trade dates January 9-January 20, 2006
N/A	trades reported and modified through a mixed capacity regulatory report, for compliance with NASD Rule 6130,	from trade dates January 9-January 20, 2006
0	trades in NNM or SC securities reported with a .PRP modifier, for compliance with NASD Rules 4632 and 2320,	from trade dates January 9-January 20, 2006