

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2006004542202**

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REGISTRATION & DISCLOSURE

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

RE: John J. Parker, Respondent
Registered Representative
CRD #2423679

Richard J. Massaux, Respondent
Registered Representative
CRD #2746156

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, we 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 us alleging violations based on the same factual findings described herein.

I.

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 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

John J. Parker has been a General Securities Representative in the Philadelphia, Pennsylvania office of Prudential Securities, Inc. (and its successor, Wachovia Securities, LLC) since August 1993. He was not employed in the securities industry prior to that time. He has no disciplinary history.

Richard J. Massaux has been a General Securities Representative in the Philadelphia, Pennsylvania office of Prudential Securities, Inc. (and its successor, Wachovia Securities, LLC) since April 1996. He was not employed in the securities industry prior to that time. He has no disciplinary history.

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OVERVIEW

During the period March 2002 through the end of January 2003, respondents Parker and Massaux facilitated a hedge fund customer's use of deceptive practices to engage in market timing of mutual fund shares. Respondents executed trades for the customer through multiple accounts which used multiple partnership names and traded through three registered representative numbers. These activities allowed the hedge fund customer to avoid detection of its market timing activities by mutual fund companies in many instances and to circumvent numerous restrictions on additional trading imposed by those companies. By engaging in this conduct, Respondents violated NASD Conduct Rule 2110.

FACTS AND VIOLATIVE CONDUCT

Market Timing Generally

Unlike securities listed on an exchange, the NAV of most mutual funds currently is calculated only once per day, based upon closing prices at 4:00 p.m. Eastern Time. This regimen for determining NAV provides market timers the opportunity to engage in arbitrage based on market information not reflected in that day's net asset value. To do this, market timers typically buy and sell shares in mutual funds on a short-term basis, realizing quick gains and then retreating to the previous market position. Market timing is not illegal per se. It can harm mutual fund shareholders, however, because it can dilute the value of their shares, by, among other things, removing profits that would otherwise be shared by all the shareholders, requiring the fund to keep a larger percentage of highly liquid assets to cover redemptions, or by increasing the transaction costs for the fund. Long-term fund investors may ultimately bear the burden of paying these costs. In addition, trading profits obtained by market timers can result in losses to long-term mutual fund shareholders.

In an effort to minimize the negative effects of market timing, as disclosed in mutual fund prospectuses, many mutual fund companies maintain policies and procedures to detect and prevent market timing. Many mutual fund companies monitor trading activity for market timing and attempt to enforce restrictions and limitations on market timing through written and oral communications, or notices. The notices vary from reminders as to the fund company's market timing policies and procedures, to warnings that an account is permitted one more transaction, to absolute restrictions from effecting additional transactions in the securities of that fund company ("block notices").

The Philadelphia Office Market Timing Accounts

In March and April 2002, Massaux and Parker acquired as a customer a local asset management company which operated a hedge fund ("the Hedge Fund Customer"). Both Parker and Massaux acted as the registered representative for the Hedge Fund Customer.¹ The Hedge Fund Customer told Parker and Massaux that it intended to engage in market timing of international mutual funds. Early in the relationship with the Hedge Fund Customer, Parker and Massaux were told by their branch manager that mutual fund companies might undertake efforts to block or restrict the type of trading that the Hedge Fund Customer intended to pursue.

To enhance its ability to market time without detection, the Hedge Fund Customer created eleven limited partnerships. Between March and July 2002, Parker and Massaux opened a total of forty-four separate accounts for the Hedge Fund Customer, four for each limited partnership. The eleven limited partnership names were used on four accounts each, with the different accounts for each limited partnership bearing a separate number identifier (such as XYZ #1, XYZ #2, XYZ #3, and XYZ #4). Although the limited partnerships outwardly appeared to be separate entities, Parker and Massaux knew or had reason to know that the funds used by partnerships to engage in the trading were all part of the same pool of money. The various partnerships were treated interchangeably by the Hedge Fund Customer in its accounts with Parker and Massaux. The Hedge Fund Customer regularly commingled money and occasionally moved securities among the limited partnership accounts in transactions effectuated by Parker and Massaux. Parker and Massaux periodically advised the Hedge Fund Customer as to which accounts had or had not been blocked by specific mutual fund companies and which other accounts had available funds to use to continue trading in those mutual funds. The Hedge Fund Customer used this information to avoid detection of its trading activities by mutual funds.

The Hedge Fund Customer's accounts were split evenly between Parker and Massaux. Accounts with #1 and #3 identifiers were assigned to Massaux and accounts with #2 and #4 identifiers were assigned to Parker. In addition, for approximately three months, eight of the Hedge Fund Customer's accounts traded under the name and registered representative number of a different broker in the office, who received the commissions for the trades in those accounts. The use of this additional registered representative number interfered with the ability of the mutual fund companies to identify the trades as coming from the same customer, or coming through the same registered representatives.

¹ Neither Parker nor Massaux had acted as a registered representative for a hedge fund customer or institutional customer previously.

Shortly after the accounts were opened, the Hedge Fund Customer began to engage in market timing activity. On April 14, 2002, less than a month after the first accounts were opened, Parker and Massaux began receiving restriction notices from mutual fund companies, including blocks on trading of certain funds by specific accounts of the Hedge Fund Customer. A number of fund companies continued to impose blocks or restrictions on the Hedge Fund Customer's accounts from this time through early 2003. The blocks and restrictions were communicated to, or received by, Parker and Massaux in various ways, including calls placed directly to them from mutual fund companies, trade rejections communicated to them by Prudential Securities' mutual fund operations department, e-mails to them from their branch manager and from Prudential Securities' compliance department, and letters sent directly to the Philadelphia branch office or to Parker or Massaux.

By executing trades in multiple accounts which used multiple limited partnership names and three registered representative numbers, Parker and Massaux assisted the Hedge Fund Customer in avoiding and circumventing mutual fund restrictions and limitations on market timing activity. For instance, the division of accounts under separate registered representative numbers allowed the Hedge Fund Customer to circumvent blocks imposed by certain fund families that had blocked one representative number but not the other. The use of the third registered representative allowed the Hedge Fund Customer to trade in at least one mutual fund that had blocked both of them from trading. In other instances, the use of multiple registered representative numbers helped the Hedge Fund Customer avoid detection of its market timing in the first instance by splitting simultaneous trading between the two representatives. Similarly, the use of multiple accounts and account names allowed the Hedge Fund Customer to avoid detection as a market-timer in the first instance through its practice of "spreading" trades across numerous accounts with different names. The Hedge Fund Customer frequently placed orders for the same funds on the same day in multiple accounts serviced by Parker and Massaux, allowing for trade sizes to be kept smaller than those monitored by fund families and allowing the Hedge Fund Customer to avoid exposure to account-by-account surveillance by the mutual fund companies.

Parker and Massaux also effectuated the movement of funds and securities among accounts of the Hedge Fund Customer, as requested by the customer. These actions helped the Hedge Fund Customer execute trades through one account after another account had been identified and restricted as a market timer by a mutual fund company. Between May 30, 2002 and January 2003, Parker and Massaux effectuated the transfer of more than \$160 million among

the various accounts of the Hedge Fund Customer through at least 314 separate journal entries.

Despite the repeated efforts by the mutual fund companies to stop the Hedge Fund Customer's market timing, Parker and Massaux continued to execute short-term mutual fund trades in thirty-eight of the forty-four accounts until late January 2003.¹ In some instances, they executed trades for the Hedge Fund Customer in different accounts or submitted trades under a different registered representative number after the Hedge Fund Customer or Parker and/or Massaux was identified by the mutual fund companies as participating in market timing. These tactics also allowed the Hedge Fund Customer to engage in trading in violation of blocks imposed by mutual fund companies for a number of months. Parker and Massaux facilitated more than 650 trades on behalf of the Hedge Fund Customer in violation of restrictions or blocks placed by mutual fund companies. These improper trades generated \$53,196 in net commissions to Parker, and \$43,007 in net commissions to Massaux.

By virtue of this misconduct, Parker and Massaux each failed to observe high standards of commercial honor and just and equitable principles of trade, and thereby violated NASD Conduct Rule 2110.

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

1. A suspension from association with any FINRA member firm for a period of three months; and
2. A fine in the amount of \$106,392 (including disgorgement of \$53,196).

C. Massaux also consents to the imposition of the following sanctions:

1. A suspension from association with any FINRA member firm for a period of three months; and
2. A fine in the amount of \$86,014 (including disgorgement of \$43,007).

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

We each agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. We have submitted Election of Payment forms showing the method by which we propose to pay the fine imposed.

¹ Parker and Massaux continued to serve as registered representatives for the Hedge Fund Customer through October 2003.

We each specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents 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 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, we each 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.

We each 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

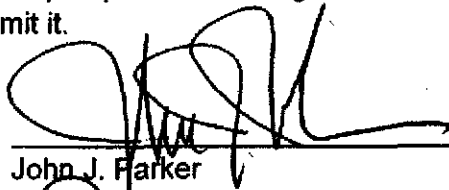
We each understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the 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 us; and
- C. If accepted:
 - 1. this AWC will become part of our permanent disciplinary records and may be considered in any future actions brought by FINRA or any other regulator against each of us;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about our disciplinary records;
 - 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. 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. We 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 our right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. 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 FINRA, nor does it reflect the views of FINRA or its staff.

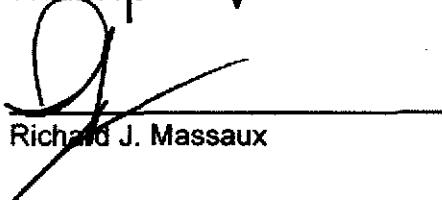
- E. We each understand that if we are suspended from associating with any FINRA member, we become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, we may not be associated with any FINRA member in any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

We each certify to having read and understood all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that we have each 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 us to submit it.

4/21/2008
Date


John J. Farker

4/21/2008
Date


Richard J. Massaux

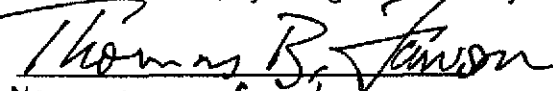
Reviewed by:


Bruce Bettigole, Esq.
Daniel Brown, Esq.
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Mayer Brown
1909 K St., NW
Washington, DC 20006
(202) 263-3267

Accepted by FINRA:

May 16, 2008
Date

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


Name: Thomas B. Jensen
Title: VP, Chief Counsel
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