

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20060049785-01**

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REGISTRATION & DISCLOSURE

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

RE: Bosc, Inc., Respondent
Broker-Dealer
CRD No. 17530

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Bosc, Inc. (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

The firm has been a member of FINRA since March 20, 1987, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm understands that its disciplinary history may be a factor that will be considered in deciding whether to accept this AWC. The firm has the following relevant disciplinary history. On September 6, 2005, the firm accepted an AWC in which it was censured, fined \$15,000 and entered into a supervisory undertaking for late reporting to the Trade Reporting and Compliance Engine ("TRACE") and supervisory findings concerning TRACE reporting during the third quarter of 2003, in violation of NASD Rules 2110, 3010 and 6230. On June 28, 2005, the firm accepted an AWC in which it was censured and fined \$30,000 for late reporting of municipal securities and supervisory findings concerning municipal securities reporting during the period of January 2003 through

October 2004, in violation of Municipal Securities Rulemaking Board ("MSRB") Rules G-14 and G-27.

FACTS AND VIOLATIVE CONDUCT

In Market Regulation Review No. 20060049785, FINRA staff ("the staff") conducted a review of the firm's compliance with MSRB rules applicable to the firm's pricing of municipal bond transactions with customers during the period of January 1, 2003 through March 31, 2005 (the "Pricing Review Period").

In Market Regulation Review No. 20070089938, the staff reviewed the firm's compliance with MSRB Rules applicable to municipal bond trade reporting during the period of January 1, 2007 through March 31, 2007 (the "Municipal Bond Reporting Review Period").

In Market Regulation Review No. 20070110919, the staff reviewed the firm's compliance with requirements applicable to TRACE reporting during the period of July 1, 2007 through September 30, 2007 (the "TRACE Reporting Review Period").

In connection with Review No. 20060049785,

1. In 11 transactions, the firm purchased municipal securities for its own account from a customer and/or sold municipal securities for its own account to a customer at an aggregate price (including any mark-down or mark-up) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the broker, dealer, or municipal securities dealer is entitled to a profit, and the total dollar amount of the transaction. The transactions are identified on Exhibit A which is attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rules G-17 and G-30(a).
2. The firm failed on 24 occasions to show correct terms and conditions on the memorandum of 12 transactions in municipal securities for the account of the firm executed with a customer other than a broker or dealer, by failing to include time stamps that showed the (i) date and time of receipt on 12 occasions and (ii) failing to include certain terms and conditions on 12 occasions (e.g., to identify the orders as day, limit, market or good-to-cancel orders). The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-8(a).

3. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of MSRB, concerning municipal bond fair pricing. Specifically, the firm's supervisory system did not include written supervisory procedures providing for reviews for compliance with MSRB Rules G-17 and G-30 that included: (1) a sufficient statement of the supervisory step(s) to be taken by the person(s) responsible for supervision of the applicable rules; and (2) a sufficient statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes a violation of MSRB Rule G-27(c).
4. The firm failed to enforce its written supervisory procedures which prohibited mark-downs/mark-ups on zero-coupon municipal securities in excess of 4 percent of the principal amount invested. The mark-ups/mark-down on all seven of the zero-coupon municipal securities trades included among the pricing violations previously described in Item 1 above exceeded the above limit. The conduct described in this paragraph constitutes violations of MSRB Rules G(27)(a) and G-27(c).

In connection with Review No. 20070089938,

5. The firm failed to report information regarding 70 purchase and sale transactions effected in municipal securities to the Real-time Transaction Reporting System ("RTRS") in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Users Manual. Specifically, the firm failed to report information about such transactions within 15 minutes of Time of Trade to an RTRS Portal. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.
6. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the rules of MSRB, concerning municipal securities trade reporting. Specifically, the firm's written supervisory procedures did not reflect the actual procedures that the firm had for (1) the identification of the person(s) responsible at the firm to ensure compliance with the applicable rules; (2) the step(s) that such person(s) should take to ensure compliance therewith; (3) how often such person(s) should take such step(s); and (4) how enforcement of such written supervisory procedures should be documented at the firm. The conduct described in this paragraph constitutes a violation of MSRB Rule G-27.

In connection with Review No. 20070110919,

7. The firm failed to report to TRACE the correct time of trade execution for 97 transactions in TRACE-eligible securities. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(c)(8).
8. The firm failed to report to TRACE 97 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted 10 percent of the firms' TRACE-eligible transactions that the firm was required to report to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(a) and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Rule 2110.
9. The firm failed to show the correct time of execution on the memorandum of 97 transactions in TRACE-eligible transactions for the account of the firm executed with another broker or dealer. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3.
10. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of NASD, concerning TRACE reporting. Specifically, the firm's supervisory system did not include written supervisory procedures providing for reviews for compliance with NASD Rule 6230 that included: (1) a sufficient statement as to how the completion of the step(s) included in the written supervisory procedures should be documented, and (2) sufficient designations of an appropriately registered principal(s) with authority to carry out supervisory responsibilities with respect to aspects of the firm's supervisory reviews concerning TRACE reporting. The conduct described in this paragraph constitutes a violation of NASD Rules 2110 and 3010.

B. The firm also consents to the imposition of the following sanctions:

A censure, a fine of \$80,000 (consisting of \$55,000 for the municipal pricing findings, \$2,500 for the combined books and records findings from the Pricing and Trace Reporting Review Periods, \$7,500 for each of the Municipal Bond and TRACE Reporting Review Periods, and \$7,500 for the combined supervisory findings from the abovementioned three staff Reviews), an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraphs I.A.3, I.A.6 and I.A.10 above, and Restitution by Respondent to the investors listed on Exhibit A which is attached, in the total amount of \$18,402, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this AWC is accepted by the

National Adjudicatory Council ("NAC"). A registered principal of the firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution, to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850 or in an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, no later than 120 days after acceptance of this AWC. If for any reason, Respondent cannot locate any customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer is known to have last resided.

In addition, within 30 business days of acceptance of this AWC by the NAC, a registered principal of the firm shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraphs I.A.3, I.A.6 and I.A.10 above; and, (3) the date the revised procedures were implemented.

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 Complaint issued specifying the allegations against the firm;
- B. To be notified of the 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, 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 FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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 FINRA 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 FINRA Rule 8313; 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 undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf 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.

4/3/09
Date

Respondent
Bosc, Inc.

By: 

Name: SCOTT GRAVER

Title: CEO BOSE, INC.

Reviewed by:



Amy L. Newsome, Esq.
Counsel for Respondent
Frederic Dorwart
Old City Hall
124 East Fourth Street
Tulsa, OK 74103-5010

Accepted by FINRA:

4/28/09
Date

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


Thomas R. Gira
Executive Vice President
Department of Market Regulation

BOSC, Inc. ("BOKI")
Review Period: January 1, 2003 Through March 31, 2005
Exhibit A

Item	Date		Quantity	Contra 1*	Trade or Inventory Price Assessment Time 1	Trade or Inventory Price Assessment 1	Firm	Trade or Inventory Price Assessment Time 2	Trade or Inventory Price Assessment 2	Contra 2*	Markup	Markdown	Restitution
1	5/3/2004		225,000	BOKL	10:43:00	18,705	BOKI	12:10:00	16,955	C(S)	N/A	9.36%	\$1,833.19
2	3/23/2004		100,000	C(B)	13:27:00	25,269	BOKI	14:27:00	23,269	BOKL	8.60%	N/A	\$836.55
3	2/6/2004		120,000	C(B)	10:56:00	25,122	BOKI	10:56:00	23,122	BOKL	8.65%	N/A	\$1,231.88
4	2/6/2004		100,000	C(B)	13:24:00	25,115	BOKI	Unavailable	23,115	BOKL	8.65%	N/A	\$1,026.86
5	2/9/2004		200,000	C(B)	10:36:00	25,125	BOKI	10:36:00	23,125	BOKL	8.65%	N/A	\$2,052.88
6	2/10/2004		90,000	C(B)	14:22:00	25,142	BOKI	15:22:00	23,142	BOKL	8.64%	N/A	\$923.15
7	2/13/2004		430,000	C(B)	12:45:00	25,149	BOKI	12:45:00	23,149	BOKL	8.64%	N/A	\$4,409.34
8	3/26/2003		40,000	C(B)	15:53:00	17	BOKI	13:17:00	15.5	B-D(S)	9.68%	N/A	\$200.00
9	4/14/2003		80,000	C(B)	14:32:00	25	BOKI	14:32:00	23.25	B-D(S)	7.53%	N/A	\$590.90
10	4/23/2003		100,000	C(B)	16:30:00	27,875	BOKI	15:29:00	25	B-D(S)	11.50%	N/A	\$1,787.50
11	4/23/2003		200,000	C(B)	14:20:00	28,625	BOKI	11:41:00	25.75	B-D(S)	11.17%	N/A	\$3,509.75

* The contra party events involving BOKL and the firm (BOKI) reflect mark to market valuations between the firm and an affiliated entity (BOKI), which held the issue in inventory on the firm's behalf. Other contra parties are identified as follows: B-D(S) indicates another Broker-Dealer selling to the firm; C(S) indicates a customer selling to the firm; and C(B) indicates a customer buying from the firm.