

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

NO. 20080051163-01

RECEIVED

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REGISTRATION & DISCLOSURE

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

RE: Carol Anne Heynen, Respondent
CRD No. 1722739

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

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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

Respondent, Carol Anne Heynen, entered the securities industry on March 18, 1991 as a registered representative of a member of FINRA. Since that time, Respondent has been associated with four member firms, the most recent being LPL Financial Corporation. Respondent's association with LPL Financial Corporation began on or about September 7, 2007. Respondent resigned from LPL Financial Corporation on March 27, 2009. From August 22, 2005 through March 28, 2006, Respondent was a registered representative with Crowell, Weedon & Co. ("CWCO"). Respondent has no disciplinary history.

SUMMARY

This AWC concerns matters arising from a termination for cause review in which the Market Regulation Department staff ("staff") reviewed Respondent's trading activity from January through March 2006 (the "review period").

FACTS AND VIOLATIVE CONDUCT

1. At all times relevant to this matter, Respondent was a proprietary trader with CWCO responsible for trading securities and making decisions regarding the purchase and sale of securities.
2. Respondent entered 99 fictitious sell transactions into CWCO's Phase 3 order entry system. Phase 3 is CWCO's back office service provider. Phase 3 allows users to book transactions into the firm's books and records. Users are allowed to book transactions into Phase 3 even without actually executing the claimed transactions.
3. Respondent entered the 99 fictitious sell transactions in a scheme to circumvent the firm's trading account limits. Respondent had a concentration limit of \$150,000 per security and a total trading limit of \$500,000 for her proprietary trading account. Respondent violated CWCO's concentration limits and total trading limits by maintaining long positions in Intel Corporation ("INTC"), Time Warner, Inc. ("TWX") and Western Digital ("WDC").
4. By March 24, 2006, Respondent had a long position in INTC of 9,500 shares totaling \$186,200, a long position of 16,000 shares in WDC totaling \$307,040, and a long position of 43,192 shares in TWX totaling \$734,264. By March 27, 2006, Respondent had an overall long position in her account of \$1,217,922.
5. Pursuant to the scheme to circumvent the firm's position trading account limits, Heynen engaged in the following activity: At the end of the trading day, Respondent entered fictitious sell transactions for the total amount of her long positions. Respondent entered fictitious sell transactions 49 times in INTC, 32 times in TWX, and 18 times in WDC. Respondent cancelled these fictitious sell transactions the next morning when the back office realized that the fictitious transactions did not match their record of transactions executed with the street. Each fictitious sell transaction was recorded on CWCO's daily trade blotter.
6. Respondent entered the 99 fictitious sell transactions at prices that made it appear that she was not carrying unrealized trading losses because Respondent was required to reimburse CWCO for 60 percent of her trading losses. As a result of entering 99 fictitious sell transactions, Respondent concealed from CWCO a \$76,810 unrealized trading loss.
7. By engaging in this conduct, Respondent caused CWCO's books and records to reflect false and misleading information regarding the purchase and sales of securities in Respondent's account. By entering fictitious sell transactions at prices that concealed her unrealized trading losses, Respondent engaged in unethical business conduct. As a consequence of the conduct described in the preceding paragraphs, Respondent willfully violated SEC Rule 17a-3 and the conduct constitutes separate and distinct violations of NASD Rules 2110 and 3110.

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

A nine month suspension and a \$10,000 fine.¹

Respondent has submitted a sworn financial statement and demonstrated a limited ability to pay. In light of the financial status of Respondent, a fine of \$10,000 has been imposed.

The fine shall be due and payable either immediately upon re-association with a member firm following the nine month 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.

My limited ability to pay has been considered in connection with the monetary sanctions imposed in this matter. 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.

I understand that if I am barred or 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 FINRA Rules 8310 and 8311.)

¹ Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the Respondent's financial resources. See Notice to Members 06-55.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent 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.

Respondent 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

Respondent 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 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 FINRA Rule 8313; and
 - 4. Respondent 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. Respondent 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. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that she 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.

Respondent certifies that she has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has 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.

5/4/2009
Date

Respondent

By: Carol Anne Heynen
Carol Anne Heynen

Reviewed by:

Attorney Name

Accepted by FINRA:

7/15/09
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