

FINRA

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20060054389-01

2012 MAR 13 AM 11:24

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

RE: Edward D. Jones & Co., L.P., Respondent
Broker-Dealer
CRD No. 250

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Edward D. Jones & Co., L.P. (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 has been a member of FINRA since October 16, 1939, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In 20060054389, the staff of the Fixed Income Section of the Department of Market Regulation reviewed the firm's compliance with its best execution obligations in connection with the purchase or sale of corporate fixed income securities during the period from January 1, 2004 through December 31, 2004.

In 20070100697, the staff of the Fixed Income Section of the Department of Market Regulation reviewed the firm's compliance with its best execution obligations in connection with the

purchase or sale of municipal securities during the period from April 1, 2007 through June 30, 2007.

In 20080141288, the staff of the Short Sales Section of the Market Regulation Department conducted a review of the firm's short interest position reports from July 31, 2007 through February 27, 2009.

In 20080136345, the staff of the Fixed Income Section of the Department of Market Regulation reviewed the firm's compliance with its best execution obligations in connection with the purchase or sale of municipal securities during the period from January 1, 2008 through March 31, 2008.

FACTS AND VIOLATIVE CONDUCT

20060054389

1. In 25 corporate fixed income transactions for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions, as reflected on Exhibit 1, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 2320.
2. 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 best execution of corporate fixed income transactions. Specifically, the firm's written supervisory procedures with respect to the best execution of corporate fixed income transactions, which were in existence during the review period, did not include: (1) a statement of the supervisory step(s) to be taken by the identified person(s); and (2) a statement as to how often such person(s) should take such step(s). The conduct described in this paragraph constitutes a violation of NASD Rules 2110 and 3010.

20070100697

3. During the period reviewed, in five 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 2 which is

attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rules G-17 and G-30(a).

20080141288

4. From July 31, 2007 through February 27, 2009, the firm submitted to NASD or FINRA its short interest position reports. These reports included 2,069 short interest positions totaling 921,375 shares, when the actual short interest was 74 positions totaling 85,547 shares. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 3360 or FINRA Rule 4560.¹

20080136345

5. During the period reviewed, in five 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 3 which is attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rules G-17 and G-30(a).

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

- A censure;
- A fine of \$55,000 (\$15,000 for the corporate best execution violations, \$15,000 for the municipal securities best execution violations, \$10,000 for the supervision violations, and \$15,000 for the short-interest reporting violations); and
- Restitution of \$13,231.52.

Restitution by Respondent to the customers listed on Exhibits 1-3, which are attached, in the total amount of \$ 13,231.52, 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. 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

¹ Effective December 15, 2008, NASD Rule 3360 was changed to FINRA Rule 4560.

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.

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is 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 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 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.

3/8/12
Date

Respondent
Edward D. Jones & Co., L.P.

By: [Signature]
Name: Kimberly S. Gannon
Title: Sr. Assoc. General Counsel

Reviewed by:

K. Susan Grafton
Attorney Name K. Susan Grafton
Counsel for Respondent
Firm Name Gibson, Dunn & Crutcher LLP
Address 1050 Connecticut Ave., NW
City/State/Zip Washington, D.C. 20036
Phone Number 202 887 3554

Accepted by FINRA:

4/10/12
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

Exhibit 1

Item No.	Date	CUSIP ID	Quantity	Contra*	Trade Time	Trade Price	Firm	Restitution
1	1/9/2004	233331AJ6	19	C (B)	11:18:00	106	EDJO	\$ 427.50
2	1/12/2004	233331AJ6	10	C (B)	0:01:00	106	EDJO	\$ 225.00
3	1/12/2004	233331AJ6	5	C (B)	11:42:00	106.75	EDJO	\$ 150.00
4	1/13/2004	233331AJ6	4	C (B)	14:22:00	105.75	EDJO	\$ 80.00
5	1/13/2004	233331AJ6	18	C (B)	14:36:00	106	EDJO	\$ 405.00
6	1/14/2004	233331AJ6	10	C (B)	12:22:00	106.5	EDJO	\$ 275.00
7	1/14/2004	233331AJ6	10	C (B)	18:03:00	106.75	EDJO	\$ 220.00
8	1/15/2004	233331AJ6	28	C (B)	18:04:00	107.375	EDJO	\$ 791.00
9	1/16/2004	233331AJ6	50	C (B)	12:07:00	107.375	EDJO	\$ 1,405.36
10	1/16/2004	233331AJ6	20	C (B)	13:01:00	107.375	EDJO	\$ 562.14
11	1/16/2004	233331AJ6	5	C (B)	15:35:00	107.375	EDJO	\$ 140.54
12	1/16/2004	233331AJ6	10	C (B)	15:37:00	107.375	EDJO	\$ 281.07
13	1/12/2004	74432QAC9	20	C (B)	14:16:00	101.5	EDJO	\$ 344.40
14	6/14/2004	92344XAB5	13	C (B)	12:41:00	108.25	EDJO	\$ 282.10
15	6/14/2004	92344XAB5	5	C (B)	15:46:00	108.25	EDJO	\$ 108.50
16	7/2/2004	36158FAB6	20	C (B)	13:09:00	107.375	EDJO	\$ 327.00
17	7/2/2004	78442FAZ1	2	C (B)	10:00:00	95.875	EDJO	\$ 22.32
18	7/2/2004	78442FAZ1	19	C (B)	14:49:00	95.625	EDJO	\$ 164.54
19	8/6/2004	92344WAB7	32	C (B)	12:33:00	88.575	EDJO	\$ 280.00
20	8/6/2004	92344WAB7	8	C (B)	12:47:00	88.375	EDJO	\$ 54.00
21	8/6/2004	92344WAB7	11	C (B)	12:49:00	88.375	EDJO	\$ 74.25
22	8/6/2004	92344WAB7	10	C (B)	13:18:00	88.375	EDJO	\$ 67.50
23	8/6/2004	92344WAB7	2	C (B)	14:58:00	88.375	EDJO	\$ 13.50
24	8/19/2004	037735BZ9	30	C (B)	14:55:00	101.545	EDJO	\$ 238.50
25	9/17/2004	172967CC3	20	C (B)	12:39:00	106.125	EDJO	\$ 180.40

* Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying

#	Date	CUSIP ID	Issue	Quantity	Contra*	Trade Time	Trade Price	Firm	Restitution
1	6/13/2007	576000FG3	Mass St Bldg Sales Tx	40	C (B)	10:40:43	98	EDJO	\$200.00
2	6/14/2007	60534QQH7	Miss Spl Oblig City of Jackson	40	C (B)	16:22:07	98.50	EDJO	\$1,040.00
3	6/14/2007	60534QQH7	Miss Spl Oblig City of Jackson	20	C (B)	16:22:07	98.00	EDJO	\$420.00
4	6/13/2007	64972FHX7	NY City Wtr	10	C (B)	11:29:50	98.625	EDJO	\$270.50
5	6/8/2007	454912AX4	Indiana Envrnmntl - PSI Energy Inc. AMT	70	C (S)	12:27:00	93.14	EDJO	\$2,093.00
Total Restitution									\$4,023.50

* Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying

* Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying

Exhibit 3

#	Date	CUSIP ID	Issue	Quantity	Contra*	Trade Time	Trade Price	Firm	Restitution
1	2/22/2008	46613PRE8	Jea Florida Water & Sewer Revenue	20	C (B)	9:19:08	97.59	EDJO	\$527.20
2	1/18/2008	59333PHR2	Miami Dade Airport Revenue	5	C (B)	11:28:32	100.00	EDJO	\$93.60
3	1/18/2008	59333PHR2	Miami Dade Airport Revenue	5	C (B)	12:28:53	100.00	EDJO	\$93.60
4	1/25/2008	59333PHR2	Miami Dade Airport Revenue	20	C (B)	10:01:12	99.21	EDJO	\$502.80
5	3/3/2008	59333PHR2	Miami Dade Airport Revenue	20	C (S)	17:42:00	82.18	EDJO	\$871.20
Total Restitution									\$2,088.40

* Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying