

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070071766**

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

RE: D.J. St. Germain Co., Inc., Respondent
Member Firm
CRD No. 3255

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

D.J. St. Germain Co., Inc. ("St. Germain") (CRD No. 3255), located in Springfield, Massachusetts, is registered as a broker dealer and investment advisor, and has been a member of FINRA (f/k/a National Association of Securities Dealers or NASD) since November 9, 1939.

St. Germain engages in the handling of customer security transactions and the management of brokerage accounts. The firm employs approximately nine registered representatives that operate from one Office of Supervisory Jurisdiction. St. Germain conducts business in equity, fixed income and municipal securities. St. Germain has no relevant disciplinary history.

OVERVIEW

From April 1, 2005 through July 31, 2007, St. Germain executed corporate securities transactions but failed to execute a Trade Reporting and Compliance Engine ("TRACE") Participant application agreement and failed to report all of its TRACE-eligible transactions. This conduct violated NASD Systems and Programs Rules 6220 and 6230 and NASD Conduct Rule 2110.

From April 1, 2004 through August 10, 2007, St. Germain conducted a municipal securities business and failed to report all of its municipal securities transactions to the Municipal Securities Rulemaking Board ("MSRB"). This conduct constitutes separate and distinct violations of MSRB Rule G-14.

Throughout the periods set forth above, St. Germain also failed to establish, maintain and enforce a supervisory system and written supervisory procedures that were reasonably designed for the firm's corporate and municipal securities business. This conduct constitutes separate and distinct violations of NASD Conduct Rules 3010 and 2110 and MSRB Rule G-27.

FACTS AND VIOLATIVE CONDUCT

TRACE REPORTING VIOLATIONS

Member firms are obligated to report corporate securities transactions to TRACE. NASD Systems and Programs Rule 6220 provides that such reports must conform with the requirements set forth in the Rule 6200 Series. That rule also requires, among other things, that TRACE participants execute a TRACE Participant application agreement.

From April 1, 2005 through July 31, 2007, St. Germain failed to execute a TRACE Participant application agreement and failed to report 2,830 TRACE-eligible securities transactions, which represented all of its self-cleared corporate securities transactions in that time period. The dollar amount of the unreported corporate securities transactions totaled approximately \$40,000,000. Based on the foregoing, St. Germain violated NASD Systems and Programs Rules 6220 and 6230 and NASD Conduct Rule 2110.

MUNICIPAL SECURITIES TRANSACTION REPORTING VIOLATIONS

Timely and accurate reporting of municipal securities transaction data to the MSRB helps ensure a level playing field for all municipal market participants, including dealers, retail investors, and institutional investors. During the relevant

time period, MSRB Rule G-14 required all brokers, dealers and municipal securities dealers to report trades to MSRB; the MSRB published data about all reported municipal securities transactions including, but not limited to, price and volume information on the day after the trade date. Accurate and timely municipal trade reporting forms the primary audit trail for regulators to conduct surveillance for potentially manipulative practices, as well as detect sales practice violations and other violations of the federal securities laws and MSRB rules.

Pursuant to MSRB Rule G-27, each dealer engaging in municipal securities transactions is obligated to have a supervisory system and procedures in place that are reasonably designed to achieve compliance with the federal securities laws and MSRB rules, including G-14. Ultimate responsibility for transaction reporting rests with the dealer that effected the trade.

From April 1, 2004 through August 10, 2007, St. Germain executed approximately 962 municipal securities transactions that should have been reported to the MSRB. St. Germain, however, failed to report those transactions, which represented 100% of its self-cleared municipal securities transactions during that period. The dollar value of the unreported municipal securities transactions totaled approximately \$47,920,000.

Based on the foregoing, St. Germain violated MSRB Rule G-14.

DEFICIENT SUPERVISORY SYSTEM AND PROCEDURES

Throughout the periods set forth above, St. Germain failed to maintain a reasonable supervisory system and written supervisory procedures relating to TRACE and MSRB reporting requirements. The firm failed to ensure that its written supervisory procedures for those areas were updated, maintained and enforced; and that they were reasonably designed to achieve compliance with the applicable rules and regulations.

St. Germain conducted a corporate securities business, but had no system or written supervisory procedures relating to reporting of those transactions. The firm's system and written supervisory procedures also failed to provide for follow-up and review that was reasonably designed to ensure that municipal securities transactions were reported to MSRB.

Based on the foregoing, St. Germain violated NASD Conduct Rules 3010 and 2110 and MSRB Rule G-27.

B. We also consent to the imposition of the following sanctions:

- A censure and a \$75,000 fine.

We agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. We have submitted an Election of Payment form showing the method by which we propose to pay the fine imposed.

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

We 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 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 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 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;
- C. If accepted:
 - 1. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against us;
 - 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 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; and

- 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.

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

D.J. St. Germain Co., Inc.

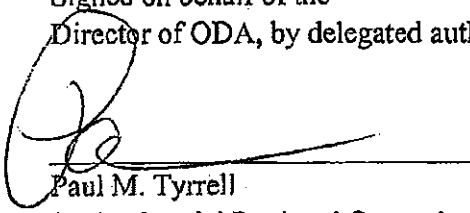
April 17, 2008
Date

By: 
Michael R. Matty
Chief Investment Officer

Accepted by FINRA:

April 25, 2008
Date

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


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STATEMENT OF CORRECTIVE ACTION

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

TRACE REPORTING VIOLATIONS

On August 23, 2007, St. Germain submitted a TRACE participant application agreement.

Upon acceptance of our TRACE participation agreement, we began to submit all new TRACE eligible trades. In addition, we began filing all prior TRACE eligible trades. Since the TRACE system has no ability to allow us to download this data, they must be input manually. Despite the tediousness of this project, as of April 17, 2008 we have approximately 2,500 trades submitted to the system (approximately 90% of all prior trades). We continue to work to get all prior trades submitted to the TRACE system.

MUNICIPAL SECURITIES TRANSACTION REPORTING VIOLATIONS

St. Germain failed to report municipal securities transactions to the MSRB. Upon notice of this violation in August of 2007 we immediately halted all municipal trading and subsequently applied to the MSRB to allow us to input trades.

Upon proper acceptance to allow resumption of municipal securities trading, we inquired with the MSRB regarding the inputting of prior trades. The MSRB system does not allow trades older than 90 days to be submitted. Since we had not conducted any municipal securities business for over 90 days, no trades were eligible to be submitted to the MSRB.

DEFICIENT SUPERVISORY SYSTEM AND PROCEDURES

We have done a thorough and complete updating of our supervisory procedures, including assigning new personnel to oversee many functions. In addition, we are rigorously enforcing the procedures, as well as documenting such enforcement. Approximately 25% of our staff have attended FINRA compliance conferences within the past 3 months in order to better acquaint ourselves with the proper procedures and to properly instill a culture of compliance throughout the firm.

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