

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

RECEIVED
2009 NOV 23 A 8:55
REGISTRATION & DISCLOSURE

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

JESUP & LAMONT SECURITIES CORP.
(BD NO. 39056),

Respondent.

**DISCIPLINARY PROCEEDING
No. 2007007255603**

HEARING OFFICER — ANDREW H. PERKINS

ORDER ACCEPTING OFFER OF SETTLEMENT

INTRODUCTION

Disciplinary Proceeding No. 2007007255603 was filed on April 17, 2009, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Jesup & Lamont Securities Corp. (BD NO. 39056) ("Jesup") submitted an Offer of Settlement (Offer) to Complainant on November 16, 2009. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Jesup has consented, without admitting or denying the allegations of the Complaint, 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, to the entry of

000094327 2009

findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Jesup's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

A. Background of Respondent

Jesup has been a member of FINRA since February 28, 1996. The firm currently has 22 branch offices and currently employs 249 registered representatives.

B. Respondent's Disciplinary History

On April 30, 2003, FINRA accepted an AWC from Jesup wherein the firm was fined \$5,000 and agreed to the entry of findings that the firm conducted a securities business while under net capital and failed to prepare accurate net capital calculations. The net capital violations in that case arose largely from the firm's receipt of customer checks made payable to the firm, which subjected the firm to a \$250,000 net capital requirement.

Jesup has no other history of prior relevant disciplinary action by the SEC, any self regulatory organization and/or any state securities regulator.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

Summary

1. Jesup failed to file an application for approval of a material change in its business operations with FINRA and conducted a securities business while failing to maintain sufficient net capital on March 9, 2007. The failure to seek approval from FINRA for a material change in Jesup's business operations arose from the fact that beginning in at least August 2006, the firm began to engage in a commission rebate business – an activity that required a higher

minimum net capital requirement than what the firm was approved for pursuant to its Membership Agreement with FINRA. The net capital violation arose from the fact that on March 9, 2007, Jesup participated as an underwriter in a public offering but failed to record an open contractual commitment charge for the underwriting.

Jurisdiction

2. Jesup has been a member of FINRA (formerly known as NASD) since February 28, 1996.
3. Jesup is subject to FINRA's jurisdiction because it is a FINRA member firm.

Failure To File An Application For Approval Of Changes To Business Operations (Violation of NASD Rules 1017 and Conduct Rule 2110)

4. Pursuant to its Membership Agreement with FINRA dated September 27, 2004, Jesup was approved to maintain a minimum net capital requirement of \$100,000 pursuant to SEC Rules 15c3-1(a)(2)(iii) and 15c3-1(a)(4).
5. Beginning in or about August 2006, Jesup began a commission rebate business. Specifically, in connection with multiple accounts for two customers, Jesup agreed to pay part of the total commissions paid by customers to third parties for services provided by the third parties to the customers.
6. Jesup thereafter paid credit card bills and other expenses for the customers. Jesup continued the commission rebate business until at least May 2007.
7. As a consequence of Jesup's participation in the commission rebate business, beginning in at least August 2006, Jesup became subject to a \$250,000 minimum net capital requirement pursuant to SEC Rule 15c3-1(a)(2)(i).

8. Despite Jesup's addition of a business activity that required a higher minimum net capital requirement under SEC Rule 15c3-1, Jesup never filed an application as required by NASD Rule 1017(a)(5) for approval of a material change in its business operations.

By reason of the foregoing, Jesup violated NASD Conduct Rules 1017 and 2110.

Net Capital Violation

(Violation of SEC Rule 15c3-1 and NASD Conduct Rule 2110)

9. On Friday, March 9, 2007, Jesup participated as an underwriter in the initial public offering by Media & Entertainment Holdings, Inc. ("Media & Entertainment"). Media & Entertainment was an offering of 10,800,000 units (consisting of one share of common stock and one warrant) at \$8.00 per unit. Jesup's participation in the offering was 2,700,000 units.
10. Pursuant to SEC Rule 15c3-1(c)(2)(viii), Jesup was required to take a charge to its net capital position to account for its participation in the Media & Entertainment underwriting. Jesup should have taken a commitment charge of \$5,508,000. However, Jesup failed to take this charge.
11. As a result of this failure, on March 9, 2007, when Jesup's minimum net capital requirement was \$250,000 pursuant to SEC Rule 15c3-1(a)(2)(i), Jesup's actual net capital was (\$5,292,329), a deficiency of \$5,542,329.
12. In violation of the Net Capital Rule, Jesup conducted a securities business on Friday March 9, 2007 while it maintained insufficient net capital.

By reason of the foregoing, Jesup violated SEC Rule 15c3-1 and NASD Conduct Rule 2110.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Jesup from any future

misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Jesup be censured and fined \$17,500.

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

SO ORDERED.

Dated: November 20, 2009

FINRA

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



Frank M. Weber, Senior Regional Counsel
FINRA - Enforcement, District 10
One Liberty Plaza, 48th Floor
New York, New York 10006
(212) 858-4324 telephone
(212) 858-4770 facsimile
Frank.Weber@finra.org