

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070078178-01**

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REGISTRATION & DISCLOSURE

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

RE: Genesis Securities, LLC, Respondent
Broker-Dealer
CRD No. 46992

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Genesis Securities, LLC (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 became a member of FINRA in 1999, and its registration remains in effect. It has no relevant disciplinary history.

SUMMARY

This matter is the result of the Department of Market Regulation's 2007 Trading and Market Making Surveillance Examination of the firm in matter No. 20070078178. The on-site portion of the examination took place on February 26 and 27, 2007. Attached as an exhibit is a list of the items the staff reviewed during the on-site examination for trade dates January 10 and 11, 2007.

FACTS AND VIOLATIVE CONDUCT

1. On January 10 and 11, 2007, the firm failed to report to the NASD/Nasdaq Trade Reporting Facility ("TRF") the correct symbol indicating whether the firm executed 27 transactions in Reportable Securities in a principal or agency capacity, and incorrectly reported seven transactions with a short sale indicator to the TRF. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6130.
2. On January 10 and 11, 2007, the firm failed to report to the NASD Alternative Display Facility Operations ("ADF") the correct symbol indicating whether the firm executed 55 transactions in a principal or agency capacity, and incorrectly reported one transaction with a short sale indicator to the ADF. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6130A.
3. On January 10 and 11, 2007, the firm transmitted inaccurate, incomplete, or improperly formatted data to the Order Audit Trail System (OATS). Specifically, the firm incorrectly submitted 50 Limit Orders with a Limit Order Display Indicator of "N" (No), indicating it had received instructions from the customers that a non-block limit order should not be displayed, when no such instructions had been received. These orders represented 100 percent of all non-block limit orders reviewed. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955.
4. On January 10 and 11, 2007, the firm failed to show the time of cancellation on the memorandum of four brokerage orders. In 22 instances, the firm failed to produce customer account information and confirmations. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and 17a-4 and NASD Rule 3110.
5. During January 2007, 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 trade reporting, sales transactions, and OATS. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the persons responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified persons; (3) a statement as to how often such persons should take such steps; and (4) a statement as to how the completion of the steps included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes violations of NASD Rules 2110 and 3010.

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

A censure, a fine of \$21,500 (comprised of fines of \$6,500 for the trade reporting violations, \$5,000 for the OATS violations, \$5,000 for the books and records violations, and \$5,000 for the supervision violations), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.5 above. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the Respondent 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 paragraph I.A.5; and
- (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. The firm has submitted an Election of Payment form showing the method by which it propose 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 sanctions 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

- The firm certifies that it has read and understand all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it 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 the firm to submit it.

By: Todd Ferbach
Name: TODD FERBACH
Title: MANAGER

Counsel for Respondent

Accepted by FINRA:

4/13/09
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