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REGISTRATION & DISCLOSURE

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007008143401**

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

RE: Riley K. McHugh, Respondent
CRD No. 836722

Pursuant to Rule 9216 of FINRA Code of Procedure, Riley K. McHugh (McHugh) 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. McHugh 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

From on or about January 1, 1977, through on or about February 9, 2007, McHugh was associated with Morgan Stanley DW, Inc. (MS) and one or more of MS' predecessors-in-interest, where he was registered as a general securities principal, a general securities representative, a registered options principal, an interest rate options representative, and a branch manager. McHugh is not currently associated with a member of FINRA. McHugh has no relevant disciplinary history with the Securities and Exchange Commission, FINRA, other self-regulatory organizations, or state regulators.

FACTS AND VIOLATIVE CONDUCT

1. **Private Securities Transactions**

From on or about March 1997 through February 2007, McHugh participated in the private securities transactions of at least ten current and former MS customers who purchased in excess of eight million shares of FCDH, a foreign metal mining services company. McHugh did not provide prior written notice to, or obtain prior written approval from, MS of his participation in the above investments.

In addition, from 1996 through 2005, McHugh personally invested in excess of \$1,000,000.00 in FCDH. McHugh failed to give MS prior written notice of his intent to purchase this stock.

Such acts, practices and conduct constitute violations of NASD Conduct Rules 3040 and 2110 by McHugh.

2. **Failure to Respond to Written Rule 8210 Requests**

McHugh failed to provide information and documentation requested by staff on September 14, 2007, October 10, 2007, and November 19, 2007. The requests were sent in conformance with and pursuant to NASD Procedural Rule 8210 and sought information and documentation relevant and necessary to staff's investigation of McHugh's involvement with FCDH.

As a result of the above acts, practices and conduct, Moore violated NASD Procedural Rule 8210 and NASD Conduct Rule 2110.

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

A bar from association with any member of FINRA in any capacity.

McHugh understands that if he is barred from associating with any FINRA member, he becomes 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, McHugh may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar. (See NASD Rules 8310 and IM-8310-1).

Pursuant to IM-8310-3(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Formal Complaint issued specifying the allegations against him;
- 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, McHugh 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.

McHugh further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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

McHugh 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 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 him; and
- C. If accepted:
1. this AWC will become part of McHugh's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against him;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about McHugh's disciplinary records;
 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. McHugh 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. Nothing in this provision affects McHugh's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

McHugh certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that McHugh has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce him to submit this AWC.

9-22-2008
Date

Riley McHugh
Riley McHugh

Approved by Counsel:

Kent R. Robison
Kent R. Robison, Esq.

Accepted by FINRA:

September 29, 2008
Date

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



Heather Hawker
Senior Regional Counsel
FINRA Department of Enforcement
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