

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007008732901**

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REGISTRATION & DISCLOSURE

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

**RE: Hudson Securities, Inc.
BD No. 10467**

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, Hudson Securities, Inc. ("Hudson" or "Respondent"), 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 Hudson alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Hudson 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

Hudson (BD# 10467) has been a member of FINRA since 1982. It is the successor to Wien Securities. The firm is a wholesale market maker headquartered in Jersey City, New Jersey. It has three branch offices, including one located in Boca Raton, Florida.

RELEVANT PRIOR DISCIPLINARY HISTORY

Hudson's relevant disciplinary history includes two regulatory actions by FINRA settled by AWC which included findings of inadequate written supervisory procedures and an inadequate supervisory system. In the first of these AWCs, in March 2004 (when the firm was known as Wien Securities), the firm was censured and fined \$30,500 for

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reporting violations and having an inadequate system and procedures for supervisory of orders and reporting related to the firm's 2002 TAMMS (trading and market making) examination. In the second action, in May 2006, the firm was censured, paid a fine of \$72,500, and paid a customer restitution of \$444 for trading violations and having an inadequate supervisory system and failing to enforce procedures related to trading activity and related to the firm's 2003 and 2004 TAMMS examinations.

FACTS AND VIOLATIVE CONDUCT

During the period of February 2004 through May 2005 (the "review period"), Hudson's business consisted primarily of proprietary market making and wholesale trading. The firm also conducted a municipal securities business. It was not a retail brokerage firm.

Hudson's Anti-Money Laundering ("AML") procedures were set forth in a separate document, and were not part of its Supervisory Procedures or Compliance Manuals. Hudson's AML procedures were not tailored to reflect its business model. For example, the AML procedures did not specifically address market making and related suspicious activities that might arise, such as market manipulation, prearranged or other non-competitive trading, and wash sales or other fictitious trading. Instead, Hudson used procedures designed for retail firms. In the section identifying "red flags" of suspicious activity, Hudson copied all of the examples contained in NASD Notice to Members 02-21. They were not modified to reflect issues that might arise in the firm's wholesale trading business.

Hudson's Supervisory Procedures had a section addressing supervision of trading and market making, including provisions to monitor for and prevent abusive practices such as collaboration and collusion and its Compliance Manual contained a section addressing manipulation and other fraudulent practices, including wash sales and other fictitious trading. These sections of the Supervisory Procedures and Compliance Manual, however, were not cross referenced to the AML procedures and failed to give firm employees guidance on what action to take in an AML context if they detected suspicious activity. Hudson's failure to customize its AML procedures to the firm's business left each of its employees with the task of devising his or her own set of red flags that appropriately addressed the firm's market-making activities and determining how to apply the AML procedures.

By virtue of the above, Hudson violated NASD Conduct Rules 3011 and 2110 and MSRB Rule G-41, which require firms to have adequate AML procedures.

Hudson also consents to the imposition of the following sanctions:

1. a censure;
2. a fine in the amount of Ten Thousand (\$10,000) Dollars.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Hudson 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 it;
- 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, Hudson 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.

Hudson further specifically and voluntarily waives 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

Hudson 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 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 it; and
- C. If accepted:
 - 1. this AWC will become part of Hudson's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Hudson's 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. Hudson 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. Hudson 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 Hudson's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Hudson may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Hudson 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.

On behalf of Hudson Securities, Inc., I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I 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 me to submit it.

Hudson Securities, Inc.

12/22/2008
Date

Barry Wechsler
By: Barry Wechsler
Title: Director of Compliance

Reviewed by:

Eden L. Rohrer
Eden L. Rohrer, Esq.
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153 East 53rd Street
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Counsel for Hudson Securities, Inc.

Accepted by FINRA:

1/5/09
Date

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

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