

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070094623**

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

RE: Matthew Edward O'Callaghan, Respondent,
CRD No. 5273940

Pursuant to Rule 9216 of FINRA Code of Procedure, I, Matthew Edward O'Callaghan 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I 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

Matthew Edward O'Callaghan ("O'Callaghan" or "Respondent") was born in [REDACTED]. O'Callaghan entered the securities industry in May 2000 as a trader with a hedge fund. O'Callaghan joined RBC Capital Markets Corporation ("RBC" or the "Firm"), a FINRA (f/k/a National Association of Securities Dealers, Inc. or NASD) member firm, in December 2006 as a General Securities Representative at its New York, New York office. O'Callaghan was registered with FINRA from January 9, 2007 to May 18, 2007.

On May 18, 2007, RBC filed a Form U-5 (Uniform Termination Notice for Securities Industry Registration) with FINRA reporting that O'Callaghan's employment with the Firm had been terminated on April 23, 2007 for mismarking positions in his proprietary trading book. O'Callaghan has not been employed in the securities industry since his termination from RBC. O'Callaghan has no disciplinary history in the securities industry.

OVERVIEW

O'Callaghan, formerly a trader on the distressed assets desk of RBC, mismarked the price of certain corporate bonds in his proprietary trading account from March 19, 2007 to April 12, 2007. By doing so, O'Callaghan enhanced his profit-and-loss statement at the Firm, and caused the Firm's books and records to be inaccurate.

FACTS AND VIOLATIVE CONDUCT

Background

O'Callaghan joined RBC as a proprietary trader on the Firm's distressed assets desk ("Desk") in December 2006. During his four-month tenure at RBC, O'Callaghan traded corporate bonds, bank loans, commercial paper and other nonperforming financial assets for proprietary accounts of the Firm. The positions were both "long" and "short" positions and did not involve clients of the Firm.

As a trader on the Desk, O'Callaghan was responsible for valuing, or marking to market, each of his positions on a daily basis. The Firm's risk management department oversaw the marking of positions by proprietary traders through a twice-monthly Independent Price Verification ("IPV") process. During the IPV process, which takes place mid-month and end-of-month, a representative of the Firm's risk management department met with the trader while the trader marked each position. As part of this process, the trader was required to provide backup support (typically either quotes from brokers or actual transaction prices) for each mark. Thereafter, the Firm collected pricing information from independent pricing services and compared those prices to the market value assigned to the assets by the trader.

O'Callaghan Mismarked Proprietary Corporate Bond Positions

During the time period from March 19, 2007 to April 12, 2007, O'Callaghan improperly priced various corporate bond positions in his proprietary trading book. He did so to improve the profit and loss ("P&L") totals reported for his book. The Firm became aware of the mismarkings during a routine reconciliation of O'Callaghan's positions for daily mark-to-market purposes.

For the month-end March marking period, O'Callaghan's mismarkings increased the value of his corporate bond positions by approximately \$2.6 million out of a total bond inventory of approximately \$68.5 million, a difference of 3.6%. For the mid-month April marking period, O'Callaghan's mismarkings increased the value of his corporate bond positions by approximately \$2.8 million out of a total bond inventory of approximately \$73.5 million, a difference of 4.2%. In every instance, the mismarked positions were in favor of O'Callaghan's P&L.

The following chart displays a sample of O'Callaghan's mismarked corporate bond positions for the mid-month April marking period:

(A)	(B)	(C)	(D)	(E)
Bond	Position	IDC (4/17)	BS (4/17)	Mark
AW5.75	Short	98.125	98	97
CCK7.75	Short	105.5	104.75	103.75
DVA6.625	Long	100.25	100	101.375
DVA7.25	Short	101.875	101	100.5
JAS7.5	Long	97	96	100.5
NRG7.25	Short	103	102.75	102
VANGUA9	Short	102.5	101.487	101
VC8.25	Short	101.875	102	101

The chart shows, for the listed corporate bonds in O'Callaghan's trading book:

- the bond symbol (Column A);
- the type of position (long or short) (Column B)
- the IDC pricing service price for the security (Column C)
- the Bear Stearns pricing service price for the security (Column D)
- O'Callaghan's mark (Column E)

The chart demonstrates a clear pattern of mismarked positions, always in favor of O'Callaghan's P&L. In each instance where O'Callaghan had a long position, his marks were greater than the benchmark prices (IDC and Bear). Conversely, in each instance where O'Callaghan had a short position, his marks were lower than the benchmark prices.

O'Callaghan's mismarkings of corporate bond positions favorably influenced his P&L statement at the Firm, and also resulted in the Firm recording inaccurate prices for corporate bonds on its books and records.

Based on the foregoing conduct, Respondent (i) violated NASD Conduct Rules 2110 and 3110, by marking the price of corporate bond positions in a trading account in a manner which he knew or should have known did not accurately reflect the market value of those securities; and (ii) violated NASD Conduct Rules 2110 and 3110 by causing books and records of his member firm employer to be maintained in violation of Section 17(a) of the Securities Exchange Act of 1934 and Rules 17a-3 and 17a-4 thereunder.

SANCTIONS

I also consent to the imposition of the following sanctions:

1. A censure;
2. A suspension of 18 months from association with any FINRA member in any capacity; and
3. A fine in the amount of \$10,000.

I understand that if I am barred or suspended from associating with any FINRA member, I become 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, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See FINRA Rules 8310 and IM-8311.)

The fine shall be due and payable either immediately upon reassociation with a member firm following the 18-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this manner.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent 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.

Respondent 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

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

Respondent certifies that he has read and understood all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he 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 Respondent to submit it.

1/22/09
Date

Matthew E. O'Callaghan
Pro-se Respondent
Matthew E. O'Callaghan



Accepted by FINRA:

1/31/09
Date

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



Linda S. Riefberg
Vice President
FINRA Department of Enforcement
14 Wall Street
New York, NY 10005