

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070100076-01**

RECEIVED

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REGISTRATION & DISCLOSURE

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

RE: The Jeffrey Matthews Financial Group, L.L.C., Respondent
Broker-Dealer
CRD No: 41282

Pursuant to Rule 9216 of the FINRA Code of Procedure, The Jeffrey Matthews Financial Group, L.L.C. (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 has been a member of FINRA since November 27, 1996, and its registration remains in effect.

RELEVANT PRIOR DISCIPLINARY HISTORY

The firm understands that its disciplinary history may be a factor that will be considered in deciding whether to accept this AWC. The firm has no relevant disciplinary history.

VIOLATIVE CONDUCT BY RESPONDENT

In Review No. 20070100076, the staff of the Department of Market Regulation ("staff") reviewed the firm's compliance with Municipal Securities Rulemaking Board ("MSRB") rules applicable to the firm's municipal securities transactions during the period of April 1, 2007 through June 30, 2007 (the "2Q2007 Review Period"). The staff reviewed a sample of 25 out of 146 municipal transactions the firm reported with a negative yield during the 2Q2007 Review Period.

In Review No. 20080139700, the staff reviewed the firm's compliance with MSRB rules applicable to the firm's municipal securities transactions during the period of January 1, 2008 through March 31, 2008 (the "1Q2008 Review Period"). The staff reviewed a sample of 25 out of 131 municipal transactions the firm reported with a negative yield during the 1Q2008 Review Period.

In connection with Review No. 20070100076,

1. The firm failed on 15 occasions to provide written notification disclosing to its customer the correct lowest effected yield-to-call in 15 transactions in municipal securities (or 60 percent of the sample reviewed during the 2Q2007 Review Period). The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-15(a)(i).

In connection with Review No. 20080139700,

2. The firm failed on 19 occasions to provide written notification disclosing to its customer the correct lowest effected yield-to-call in 19 transactions in municipal securities (or 76 percent of the sample reviewed during the 1Q2008 Review Period). The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-15(a)(i).

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

A censure and a \$10,000 fine (consisting of \$5,000 for the MSRB Rule G-15 violations from each of the 2Q2007 and 1Q2008 Review Periods).

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes 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 sanction(s) 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 Formal Complaint issued specifying the allegations against the firm;
- 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, 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 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

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 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 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 NASD Rule 8310 and IM-8310-3; and

4. The firm 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. The firm 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 the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that the firm 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.

The firm certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's 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.

12/2/08
Date

Respondent
The Jeffrey Matthews Financial Group, L.L.C.

By: [Signature]
Name: JEFFREY R. HALPERT
Title: PRESIDENT + CEO

Reviewed by:

[Signature]
Janene Marasciullo, Esq.
Kaufman Dolowich & Voluck LLP
135 Crossways Park Drive, Suite 201
Woodbury, NY 11797

Accepted by FINRA:

1/7/08
Date

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

[Signature]
Thomas R. Gira
Executive Vice President
Department of Market Regulation



December 4, 2008

VIA FEDERAL EXPRESS

Dawn Farris
FINRA
Market Regulation
9509 Key West Avenue
Rockville, MD 20850-3329

**Re: Statement of Corrective Action
FINRA Market Regulation Department
Reviews No. 20070100076 and No. 20080139700**

Dear Ms. Farris:

Respondent, The Jeffrey Matthews Financial Group LLC, ("JMFG"), respectfully submits this Statement of Corrective Action in connection with its submission of an Acceptance Waiver and Consent ("AWC") to resolve the above-captioned reviews. This Statement of Corrective Action is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

As explained in JMFG's October 14, 2008 correspondence ("JMFG's Wells Response"), JMFG is a small introducing broker-dealer, which necessarily relies upon its clearing firm to generate accurate confirmations. However, JMFG understands its obligation to provide accurate data on all confirmations. Therefore, when JMFG learned that its clearing firms have systematic problems generating confirmations that provide accurate worst yield to call information, it took proactive measures to compensate for these deficiencies which are beyond its control. These efforts are detailed below.

In April 2007, JMFG learned that its prior clearing firm, National Financial Services ("NFS") was having difficulty calculating the worst yield-to-call and displaying that information on customer confirmations. To compensate for NFS's failures, JMFG issued two compliance memoranda which required its registered representatives to note the worst yield-to-call on their trade tickets before submitting them to the order entry desk for input. These memoranda stated, in pertinent part:

**135 CROSSWAYS PARK DRIVE, SUITE 201, WOODBURY, NEW YORK 11797
PHONE: 516.681.1100 | FAX: 516.681.1101 | WWW.KDVLAW.COM**

NEW YORK | PHILADELPHIA | SAN FRANCISCO | NEW JERSEY

This Statement of Corrective Action is submitted by the Respondent.
It does not constitute factual or legal findings by FINRA,
nor does it reflect the views of FINRA or its staff.

To comply with MSRB and NASD rules regarding trade reporting and information to be disclosed on customer confirms; we must report all trades accurately. . .

As you know, each registered rep should be providing customers with the worst possible yield at the time of the sale; therefore you should have already determined the negative yield to call.

To aid in the reporting process, each registered rep **MUST** note the negative yield to call in the remarks box on the order ticket.

Also, every day, each registered rep receives a copy of their tickets and trade confirmations from their SA. You should already be checking the confirms to make sure they are accurate. As part of your review, you must review the negative yield information to ensure it was reported correctly.

Ex. A, B.

In addition, JMFG directed the order entry desk to: (1) verify this information; (2) report the information to the MSRB; and (3) include this information on all customer trade confirmations.

JMFG also emphasized the importance of reporting this information to its current clearing firm, RBC Correspondent Services, ("RBC"), when it switched to that firm.

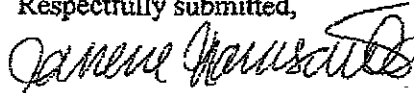
As a result of these efforts, JMFG ensured accurate reporting to the MSRB and improved the accuracy of the information included on confirmations sent to its retail customers.¹ However, in September 2008, JMFG learned that, despite the clear instructions included in the compliance memorandum, there was a misunderstanding regarding the need to include this information on confirmations sent to institutional customers. It therefore held a meeting to stress the need to include this information on *all* confirmations. JMFG also updated its WSPs to stress this issue. Indeed, JMFG's WSPs expressly state that the confirmations must include, among other things, the "lowest current yield taking into consideration call dates," and require the order entry desk to confirm the yield to call, verify the accuracy of information reported to the MSRB, and report the correct lowest yield on each customer confirmation. See Ex.C.

¹ JMFG's clearing firm creates the confirmation and JMFG cannot delete or correct the data that the clearing firm places on the confirmation. However, JMFG adds its own yield calculations to the confirmations in the limited space provided by the clearing firm to add notations.

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nor does it reflect the views of FINRA or its staff.

In addition, in light of FINRA's comments and concerns, JMFG is working with RBC to improve the situation and RBC has advised JMFG that it is working to update its systems to accurately calculate and display the worst yield-to-call on customer trade confirmations.

Respectfully submitted,


Janene M. Marasciullo

ND: 4839-0368-3331, v. 1