

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007010115401**

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REGISTRATION & DISCLOSURE

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

RE: Wachovia Securities, LLC, Respondent
CRD No. 19616

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

I.

ACCEPTANCE AND CONSENT

- A. Wachovia 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

Wachovia is a registered broker dealer and has been a member of FINRA (f/k/a NASD or the National Association of Securities Dealers) since 1987. Its principal offices are located in St. Louis, Missouri. It has approximately 5035 branch offices with approximately 26,101 registered representatives. Wachovia provides a full range of brokerage services to customers, including, inter alia, providing equity research to its customers.

Wachovia has the following relevant disciplinary history:

In a Settlement entered into between the Firm and the State of Maine, Office of Securities, on or about April 25, 2005 (No. 05-026-CAG), the Firm, without admitting or denying the allegations that it permitted a registered representative to transact business with Maine clients while not licensed in

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violation of the Revised Maine Securities Act, agreed to a censure and fine of \$27,000.

In a Settlement entered into between the Firm and the State of Maine, Office of Securities, on or about September 16, 2004 (No. 04-063-CAG), the Firm, without admitting or denying the allegations that it failed to renew a sales representative's license causing him to transact business while unlicensed, agreed to a fine of \$1,500.

In a Settlement entered into between the Firm and the State of Connecticut on or about January 23, 2004 (No. ST-03-6927-S), the Firm, without admitting or denying the allegations that the Firm violated Sections 36B-6(B) and 36B-6(C) of the Connecticut Uniform Securities Act by failing to register certain financial advisors and a sales assistant as Investment Advisory Agents, consented to a fine of \$2,500.

OVERVIEW

From April 2002 to June 2, 2005, the Firm permitted MJ, the head of the Firm's Advisory Services Group ("ASG"), to function as a principal without being properly licensed as a General Securities Principal ("GP") in violation of NASD Rules 1021, 1022(a)(1), and 2110.

From August 2, 2005 (the effective date of the amendment to NASD Rule 1022) to April 28, 2006, the Firm also permitted MJ to supervise its equity research analysts without being properly licensed as a Research Principal ("RP") in violation of NASD Rules 1022(a)(5) and 2110.

The Firm also failed to ensure that a GP or RP manage and supervise the ASG by failing to ensure that MJ be properly licensed under NASD Rules 1021, 1022(a)(1) and (5) in violation of NASD Rules 3010 and 2110.

FACTS AND VIOLATIVE CONDUCT

Rules 1021 and 1022

Rule 1021 requires all persons engaged in the investment banking or securities business of a member who are to function as principals to be registered as such. Rule 1022(a)(1) requires all persons who fit within the definition of a "principal" in Rule 1021 to register as a GP and to pass a qualifying examination. Rule 1021(b) defines a "principal" in pertinent part to be an associated person who is "actively engaged in the management of the member's investment banking or securities business, including supervision, solicitation, conduct of business or the training of persons associated with a member" Thus, any individual engaged in the active management of the firm's

business is required to have his/her GP registration.

Rule 1022 was amended effective August 2, 2005 to impose additional licensing requirements on principals who supervise research analysts. The amendment, codified at 1022(a)(5), requires general securities principals to pass a qualification examination in order to supervise the conduct of a research analyst as defined in Rule 1050.¹

Wachovia's Research Business

As noted above, Wachovia is a registered broker-dealer. It produces publications including equity research reports through its Richmond-VA based ASG. Between April 2004 and April 2006, the ASG had approximately seven licensed equity research analysts. Wachovia distributes its publications primarily to retail customers through mail and fax and in some instances by making them available through the Firm's website.

The Firm Permitted MJ To Manage The ASG Without Being Properly Licensed

MJ was the head of the ASG from April 2002 through his departure from the firm in March 2008. In this role, MJ acted as a principal of the firm, including by supervising registered representatives; making hiring/firing decisions; controlling salaries/compensation; establishing firm policies or procedures; and negotiating and signing agreements on behalf of firm. For example, as the head of the ASG, MJ supervised six direct reports, including the Chief Equity and Fixed Income Strategists, and was the ultimate supervisor for approximately 30 people, primarily portfolio managers and strategists, but also individuals acting in compliance and technology roles. He also directly supervised two GPs. He also chaired the firm's Conflicts Review & Best Practice and Investment Policy Committees, and was also a member of four other Firm committees (Deal Commitment, New Products, Equity Commitment and New Business Commitment).

The Firm allowed MJ to function as a principal within the ASG without his GP registration for over three years, from April 2002 to June 2, 2005. It further allowed him, as manager of the ASG, to supervise seven licensed research analysts without being registered as an RP for approximately 9 months, from August 2, 2005 until April 28, 2006.

The Firm had written supervisory procedures prohibiting associated persons from supervising other associated persons without passing the appropriate principal's exam. However, these procedures were not enforced with respect to MJ. Specifically, Wachovia failed to advise or otherwise ensure that MJ pass the Series 24 within 90 days of becoming the Head of the ASG, and it failed to advise him of the need to

¹ Rule 1050 was amended effective March 30, 2004 to require any associated person who functions as a research analyst to pass a research analyst qualification examination (Series 86/87) or qualify for an exemption or waiver.

become RP qualified.

VIOLATIONS

As described above, Wachovia permitted MJ to manage the ASG without being *registered as a GP and RP and it failed to enforce its procedures requiring its associated persons who function as principals to be properly registered as such.* Accordingly, Wachovia violated NASD Rules 1021, 1022(a)(1) and 1022(a)(5), 3010 and 2110.

B. Wachovia also consents to the imposition of the following sanctions:

1. Censure; and
2. Fine in the amount of \$ 75,000.

Wachovia agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. Wachovia has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Wachovia 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

Wachovia 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, Wachovia 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.

Wachovia 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

Wachovia 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 Wachovia'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 Wachovia'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. Wachovia 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. Wachovia 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 Wachovia's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Wachovia may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Wachovia 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.

Wachovia 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 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 Wachovia to submit it.

10-16-08
Date

Wachovia Securities, LLC
Respondent

By:

Bridgette
Name:

Title: PRESIDENT,
FINANCIAL SERVICES GROUP

Accepted by FINRA:

10/30/08
Date

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



James E. Day
Associate Vice President and Chief
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