

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007010537701**

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

RE: Edward D. Jones & Co., L.P., Respondent
FINRA Member Firm
CRD No. 250

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Edward D. Jones & Co., L.P. (hereinafter the "firm" or "Edward Jones") 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Edward Jones hereby accept 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

Edward D. Jones & Co., L.P. has been a member of FINRA since 1939. The firm has over 11,900 registered representatives and approximately 10,500 branches.

RELEVANT DISCIPLINARY HISTORY

Edward D. Jones & Co., L.P. does not have a previous disciplinary history relevant to this matter.

OVERVIEW

During the period from January 31, 2005 through August 2007, Edward Jones failed to establish, maintain and enforce a supervisory system that was reasonably designed to review and monitor all transmittals of funds from the accounts of customers to third party accounts, in violation of NASD Rules 3010(a), 3012(a)(2)(B)(i) and 2110. Specifically, the firm relied on a defective report to review and monitor third party wires from customer accounts, and failed to properly test and verify that the system providing the report was functioning properly, as required by Rule 3012. As a result, the report failed to identify wires

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from accounts from which an Edward Jones Registered Representative was converting funds.

FACTS AND VIOLATIVE CONDUCT

On June 17, 2004, the Securities and Exchange Commission approved an NASD proposal to adopt Supervisory Control Amendments, which amended certain NASD rules and interpretive materials and created new Rule 3012. The Supervisory Control Amendments became effective on January 31, 2005. Rule 3012 requires member firms to, among other things, establish, maintain, and enforce written supervisory control policies and procedures which address a variety of issues. Moreover, they must test and verify that their supervisory procedures are sufficient and amend or create additional supervisory procedures, where the testing and verification identify a need. Third, member firms must have procedures that are reasonably designed to review and supervise, on a day-to-day basis, customer account activity. FINRA issued Notices to Members 04-71, 05-08, 05-29, 05-75 and 06-04 providing notice and guidance to member firms regarding the Supervisory Control Amendments.

Rule 3012(a)(2)(B)(i) specifically states that a member must have procedures that are reasonably designed to review and monitor all transmittals of funds or securities from the accounts of customers to third party accounts.

Edward Jones supervises its Registered Representatives through supervisors located at its headquarters. Edward Jones has electronic systems in place to monitor the activity in its customers' accounts and to generate a variety of exception reports. One of those reports is called the Same Outside Address Report ("SOA Report"). The SOA Report is designed to detect when two or more customer accounts at the same branch office of the firm send funds via wire transfer or check to the same third party account during a rolling twelve month period. The SOA Report was implemented in April 2003. Edward Jones relied on the SOA report as part of its supervisory system to monitor the activities of its Registered Representatives.

In 2007 the SOA Report should have detected three wire transfers from two customer accounts at the same branch office to the same third party account: two in July 2007, and one in August 2007. These wires amounted to over \$1 million in aggregate. The funds were wired to a third party account and then converted by an Edward Jones Registered Representative. The Registered Representative ultimately converted over \$3 million in customer funds.

The SOA Report was not functioning properly during the applicable time period, however, due to a software coding error made when the SOA Report was created. While the SOA Report functioned and produced reports, the reports it created were incomplete and inaccurate, in that they did not show results from the entire

universe of wire transfers.¹ The inaccurate SOA Reports were monitored and relied upon by personnel in Edward Jones' home office to supervise third party wires. Edward Jones relied on the malfunctioning SOA Report to monitor third party wires from its inception in April 2003 until the problem was discovered in 2007.

Additionally, Edward Jones did not perform any tests to verify the accuracy of the SOA Report during the years 2005, 2006, and 2007. Edward Jones did not discover that the SOA Report was malfunctioning until after it commenced an investigation of wires and checks directed to the same third party account from a single branch office. Edward Jones has corrected the SOA Report, and is in the process of settling customer complaints from the subject branch office.²

During the period from January 31, 2005, through August 2007, Edward Jones failed to establish, maintain and enforce a supervisory system, including written supervisory procedures, that was reasonably designed to review and monitor all transmittals of funds from the accounts of customers to third party accounts as required by NASD Rule 3012(a)(2)(B)(i).

Such acts, practices and conduct constitute separate and distinct violations of NASD Rules 3010(a), 3012(a)(2)(B)(i) and 2110 by Edward Jones.

- B. Edward Jones also consents to the imposition of the following sanctions: a censure and fine of \$200,000.

Edward Jones agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Edward Jones has submitted an Election of Payment form showing the method by which the undersigned proposes to pay the fine imposed.

Edward Jones specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

¹ The SOA Report search and comparison engine would stop before it had searched all of the relevant wires and report a result. However, it is unclear why and at what point the search would stop. Therefore, while it showed results, the results could be inaccurate, and in fact they were inaccurate in the three instances in 2007 discussed herein.

² Edward Jones has settled with customers identified by FINRA during its investigation.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against Edward Jones;
- B. To be notified of the Complaint and to 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, Edward Jones 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.

Edward Jones 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

Edward Jones 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, 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 Edward Jones; and

C. If accepted:

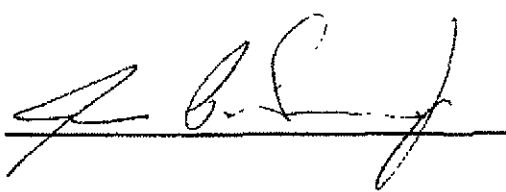
1. This AWC will become part of Edward Jones's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Edward Jones;
2. This AWC will be made available through FINRA's public disclosure program in response to public inquiries about Edward Jones'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. Edward Jones 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 creating the impression that the AWC is without factual basis. Edward Jones 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 Edward Jones's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

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

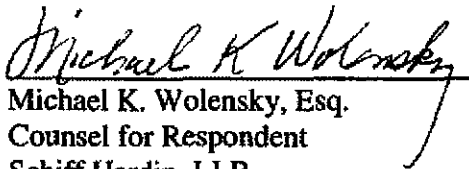
Edward Jones certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and Edward Jones has been given a full opportunity to ask questions about it; that Edward Jones has agreed to its provisions voluntarily; and that no offer, threat, inducement, 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 Edward Jones to submit it.

Edward D. Jones & Co., L.P.

Date 3/30/10

By: 

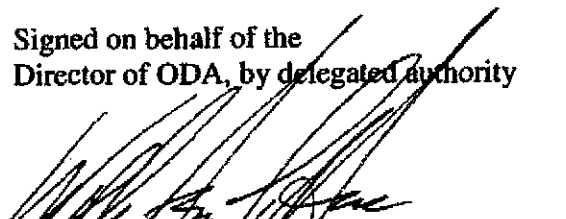
Reviewed by:


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Accepted by FINRA:


Date

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


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