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REGISTRATION & DISCLOSURE

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070106776-01**

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

RE: **Crowell, Weedon & Co., Respondent**
Broker-Dealer
CRD No. 193

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Crowell, Weedon & Co. ("CWCO" 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 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

CWCO has been a member of FINRA since October 16, 1936, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In connection with matter 20070106776, the staff of the Department of Market Regulation of FINRA (the "staff") conducted CWCO's Trading and Market Making Surveillance ("TMMS") Examination for 2007, evaluating the firm's compliance with various NASD rules relating to its trading of equity orders and its market-making activities, as well as related supervisory issues, and specifically reviewing the items listed in Appendix 1, which is attached, for trade dates September 5 and 6, 2007 (the "2007 TMMS Exam review period").

In connection with matter 20070108068, the staff conducted a review of the firm's compliance with rules and regulations relating to market order timeliness and best

execution requirements during the period April 1, 2007 through June 30, 2007 (the "second quarter of 2007").

In connection with matter 20080120881, the staff conducted a review of the firm's compliance with rules and regulations of the Municipal Securities Rulemaking Board ("MSRB") relating to the reporting of municipal securities transactions during the period January 1, 2007 through June 30, 2007 (the "first and second quarters of 2007").

FACTS AND VIOLATIVE CONDUCT

1. During the 2007 TMMS Exam review period, CWCO transmitted to OATS 13 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports omitted the order entry time. In addition, in one instance, the firm failed to transmit a particular Reportable Order Event ("ROE") to OATS, specifically an Order Route report. Lastly, in one other instance, the firm incorrectly submitted to OATS data for the same ROE twice. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).
2. During the 2007 TMMS Exam review period, CWCO failed on 24 occasions to provide written notification disclosing to its customer certain required information. Specifically, the firm: (a) in 12 instances failed to disclose that the transaction was executed at an average price; (b) in six instances failed to disclose the correct capacity and that the firm's remuneration was not a commission but a commission equivalent; (c) in four instances failed to disclose the correct capacity; (d) in one instance failed to disclose the correct capacity and that the firm's remuneration was not a commission but a commission equivalent or mark-up; and (e) in one instance failed to disclose that the transaction was executed at an average price, the correct capacity and that the firm's remuneration was not a commission but a commission equivalent or mark-up. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
3. The firm's supervisory system during the 2007 TMMS Exam review period did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of NASD. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to provide for one or more of the four above-cited minimal requirements for adequate written supervisory procedures for the specific regulatory areas set forth in Exhibit A. In addition, the firm failed to provide sufficient documentary evidence that, during the 2007 TMMS Exam review period, it performed the supervisory reviews set forth in its written supervisory procedures concerning the particular regulatory areas cited in Exhibit A. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 3010.

4. In 48 instances during the second quarter of 2007, CWCO failed to execute orders fully and promptly. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 2111(a).
5. In 28 of the transactions for or with a customer that are described in paragraph four above, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions, as reflected on Exhibit B, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 2320.
6. During the first and second quarters of 2007, CWCO reported 702 transactions in municipal securities to the Real-time Transaction Reporting System with a null or numeric value in the Contraparty Correspondent ID field. These reports constituted approximately 31 percent of the total number of inter-dealer trade reports in municipal securities (2,266) that the firm reported to the MSRB during the first and second quarters of 2007. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

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

A censure; fines totaling \$32,500 (\$5,000 for the firm's OATS-reporting violations, \$2,500 for the firm's customer confirmation violations, \$7,500 for the firm's supervisory violations, \$12,500 for the firm's market order timeliness and best execution violations, and \$5,000 for the firm's MSRB-reporting violations); payment of restitution to the customers involved in the transactions listed on Exhibit B, which is attached, in the total amount of \$564.11, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this AWC is accepted by the National Adjudicatory Council ("NAC"); and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.3 and Exhibit A.

A registered principal of the firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution, to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850** or in an e-

mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, no later than 120 days after acceptance of this AWC. If for any reason, Respondent cannot locate any customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer is known to have last resided.

Within 30 business days of acceptance of this AWC by the NAC, a registered principal of the Respondent shall submit to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850**, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraphs I.A.3 and Exhibit A; and (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. The firm has submitted an Election of Payment form showing the method by which it proposes to pay the fines 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 sanctions 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 Complaint issued specifying the allegations against the firm;
- B. To be notified of the 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 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 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

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 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 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 records;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; 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 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.

The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf 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.

11-12-09
Date

Respondent
Crowell, Weedon & Co.

By:

Name:

Title:

James L. Cronk
James L. Cronk
Partner

Reviewed by:

Gilbert W. Boyce
Gilbert W. Boyce
Counsel for Respondent
Kutak Rock LLP
1101 Connecticut Avenue, N.W.
Suite 1000
Washington, DC 20036-4374

Accepted by FINRA:

12/23/09
Date

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

Thomas R. Gira
Thomas R. Gira
Executive Vice President
Department of Market Regulation

**Crowell, Weedon & Co. ("CWCO")
Matter No. 20070106776**

For the regulatory areas listed below, CWCO's written supervisory procedures during the 2007 TMMS Exam review period failed to include one or more of the following:

- (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.
- **Order Handling (Limit Order Display)** [(a), (b), (c) and (d)];
 - **Order Handling (Limit Order Protection, Market Order Protection and Disclosure of Order Routing Information)** [(a) and (d)];
 - **Order Handling (Disclosure of Order Execution Information)** [(a), (b) and (d)];
 - **Best Execution (Orders Executed as Principal, Orders Executed as Riskless Principal and Orders Executed as Agent)** [(a), (b) and (d)];
 - **Best Execution (Block-Sized Orders, Not Held Orders, Marketable Limit Orders, Order by Order Routing Decisions and Three-Quote Rule)** [(a), (b), (c) and (d)];
 - **Anti-Intimidation and Coordination** [(a), (b), (c) and (d)];
 - **Trade Reporting (General Trade Reporting, Riskless Principal Trade Reporting, Trade Modifiers and Entering and Matching Trade Reports)** [(a), (b), (c) and (d)];
 - **Sale Transactions (Order-Marking Requirements as to Long, Short or Short-Exempt, Short Sale Indicator Reporting and Aggregation Units)** [(a), (b), (c) and (d)];
 - **Other Trading Rules (Trading or Quoting During a Halt and Backing Away)** [(a), (b), (c) and (d)];
 - **OATS (Clock Synchronization, Ensuring Accuracy and Timeliness of Submissions, Repair and Resubmission of Rejections, Consistency Between OATS and Trade Reporting, and Routed Order ID Matching)** [(a), (b), (c) and (d)];
 - **Other Rules (Books and Records)** [(a), (b), (c) and (d)]; and
 - **Regulation NMS** [(a), (b), (c) and (d)].

In addition, the firm failed to provide sufficient documentary evidence that, during the 2007 TMMS Exam review period, it performed the supervisory reviews set forth in its written supervisory procedures concerning each of the regulatory areas cited above.

Crowell, Weedon & Co. ("CWCO")
Matter No. 20070108068 (included in 20070106776)

Item No.	Original Item No.	Firm MPID	Order Receipt Date	Order Receipt Time	Order to Buy/Sell	Order Size	Issue	Order Execution Time	Order Duration	Restitution Calculation	Restitution Due
1	1	CWCO	4/2/2007	15:27:29	B	3000	TTEK	15:29:58	0:02:29	$(18.98 - 18.95) * 1000 + (18.99 - 18.95) * 1000 + (19.00 - 18.95) * 1000$	\$120.00
2	2	CWCO	4/3/2007	12:07:24	S	2000	NUAN	12:08:57	0:01:33	N/A	N/A
3	3	CWCO	4/3/2007	14:24:41	S	1000	CVGW	14:25:44	0:01:03	$(11.61 - 11.60) * 500$	\$5.00
4	4	CWCO	4/4/2007	11:50:42	B	1000	TTEK	11:51:23	0:00:41	$(18.93 - 18.92) * 300$	\$3.00
5	5	CWCO	4/10/2007	14:32:42	S	1100	RCKY	14:43:48	0:11:06	$(11.85 - 11.84) * 900$	\$9.00
6	6	CWCO	4/11/2007	11:50:51	B	1000	ARWR	11:56:41	0:05:50	N/A	N/A
7	7	CWCO	4/12/2007	12:17:43	S	600	ARWR	12:18:34	0:00:51	N/A	N/A
8	8	CWCO	4/12/2007	15:32:17	B	1000	CVGW	15:34:31	0:01:54	N/A	N/A
9	9	CWCO	4/16/2007	9:12:58	S	200	SPCHA	9:30:35	0:00:35	N/A	N/A
10	10	CWCO	4/16/2007	13:23:42	S	500	KEYS	13:25:14	0:01:32	$(34.82 - 34.77) * 100 + (34.82 - 34.76) * 200$	\$17.00
11	12	CWCO	4/17/2007	15:33:53	S	1375	CVBF	15:36:10	0:02:15	$(12.39 - 12.38) * 875$	\$8.75
12	13	CWCO	4/18/2007	10:26:17	S	900	SPCHB	10:31:02	0:04:45	$(11.04 - 11.03) * 600$	\$6.00
13	14	CWCO	4/18/2007	12:47:05	S	1889	CVBF	12:50:44	0:03:09	$(12.37 - 12.36) * 1389$	\$13.89
14	15	CWCO	4/18/2007	13:26:20	B	1000	EWBC	13:28:36	0:02:15	$(40.38 - 40.32) * 621$	\$37.26
15	16	CWCO	4/18/2007	14:54:49	S	1000	SPCHB	14:55:47	0:00:58	N/A	N/A
16	17	CWCO	4/19/2007	10:07:33	S	1000	SPCHA	10:08:05	0:00:32	N/A	N/A
17	18	CWCO	4/19/2007	14:05:20	B	1630	FCAL	14:06:35	0:01:15	N/A	N/A
18	19	CWCO	4/19/2007	15:40:34	S	1000	SPCHA	15:41:06	0:00:32	N/A	N/A
19	20	CWCO	4/20/2007	13:58:05	S	250	NWPX	13:59:28	0:01:23	$(37.22 - 37.12) * 150$	\$15.00
20	21	CWCO	4/23/2007	14:43:30	S	425	EWBC	14:44:23	0:00:50	N/A	N/A
21	22	CWCO	4/27/2007	14:33:00	S	300	SWWC	14:33:32	0:00:32	N/A	N/A
22	23	CWCO	4/30/2007	13:13:45	B	1000	SWWC	13:15:29	0:01:44	N/A	N/A
23	24	CWCO	4/30/2007	14:14:14	B	1000	SWWC	14:15:09	0:00:55	$(13.92 - 13.91) * 800$	\$8.00
24	25	CWCO	5/1/2007	10:54:27	S	1000	PTEC	10:55:44	0:01:17	N/A	N/A
25	26	CWCO	5/1/2007	13:03:26	B	700	SWWC	13:04:02	0:00:36	$(13.72 - 13.71) * 300$	\$3.00

Item No.	Original Item No.	Firm MPID	Order Receipt Date	Order Receipt Time	Order to Buy/Sell	Order Size	Issue	Order Execution Time	Order Duration	Restitution Calculation	Restitution Due
26	27	CWCO	5/1/2007	14:21:07	B	1000	SWWC	14:22:17	0:01:10	$(13.61 - 13.60) * 200 + (13.64 - 13.60) * 275 + (13.63 - 13.60) * 200$	\$25.00
27	28	CWCO	5/3/2007	11:47:14	B	1000	SWWC	11:47:50	0:00:36	$(13.89 - 13.87) * 400$	\$4.00
28	29	CWCO	5/9/2007	9:02:26	S	425	EWBC	9:31:07	0:01:07	$(40 - 39.94) * 100 + (40 - 39.93) * 50 + (40 - 39.98) * 100 + (40 - 39.89) * 175$	\$30.75
29	30	CWCO	5/14/2007	13:12:48	S	600	CWCO	13:14:12	0:01:24	N/A	N/A
30	31	CWCO	5/14/2007	13:31:34	B	200	TTEK	13:32:13	0:00:39	$(20.46 - 20.45) * 100$	\$1.00
31	32	CWCO	5/14/2007	15:28:56	B	800	SWWC	15:30:04	0:01:08	$(12.90 - 12.89) * 700$	\$7.00
32	33	CWCO	5/15/2007	15:09:33	B	1000	SWWC	15:10:26	0:00:51	$(12.37 - 12.36) * 100$	\$1.00
33	34	CWCO	5/15/2007	15:35:30	B	1000	SWWC	15:37:05	0:01:35	$(12.30 - 12.29) * 300$	\$3.00
34	35	CWCO	5/17/2007	11:53:32	S	1000	BGFV	11:56:15	0:00:43	$(24.59 - 24.54) * 511 + (24.59 - 24.58) * 89 + (24.59 - 24.56) * 200 + (24.59 - 24.55) * 100$	\$32.28
35	36	CWCO	5/17/2007	15:35:09	B	2000	HIMX	15:36:14	0:01:05	$(5.22 - 5.21) * 2000$	\$20.00
36	37	CWCO	5/18/2007	14:12:35	B	300	TTEK	14:13:42	0:01:07	$(20.97 - 20.96) * 300$	\$3.00
37	38	CWCO	5/21/2007	11:02:58	S	1000	NOEC	11:03:52	0:00:54	$(4.84 - 4.63) * 300 + (4.84 - 4.65) * 99 + (4.84 - 4.64) * 401$	\$162.01
38	39	CWCO	5/31/2007	9:30:21	S	250	EWBC	9:31:39	0:01:18	$(40.57 - 40.56) * 147$	\$1.47
39	40	CWCO	6/4/2007	13:36:04	B	485	SRCE	13:36:48	0:00:43	$(25.67 - 25.65) * 285$	\$5.70
40	41	CWCO	6/4/2007	13:54:08	S	450	SPCHB	13:54:46	0:00:38	N/A	N/A
41	42	CWCO	6/5/2007	12:23:20	S	500	SPCHA	12:23:55	0:00:35	$(10.55 - 10.54) * 300$	\$3.00
42	43	CWCO	6/6/2007	9:30:00	B	22	TTEK	9:31:40	0:01:40	N/A	N/A
43	44	CWCO	6/6/2007	11:21:05	S	500	SPCHA	11:21:58	0:00:53	N/A	N/A
44	45	CWCO	6/7/2007	9:57:20	S	500	SPCHA	9:58:20	0:01:00	N/A	N/A
45	46	CWCO	6/8/2007	9:33:12	S	500	SPCHA	9:33:44	0:00:32	N/A	N/A
46	47	CWCO	6/12/2007	11:52:33	B	300	EWBC	11:53:06	0:00:33	N/A	N/A
47	48	CWCO	6/13/2007	9:30:00	S	200	EWBC	9:31:31	0:01:31	$(39.88 - 39.80) * 200$	\$16.00
48	50	CWCO	6/27/2007	12:13:21	S	1000	SWWC	12:14:02	0:00:41	$(13.11 - 13.10) * 300$	\$3.00
										Total Restitution:	\$564.11