

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070108074-01**

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

RE: Vandham Securities Corp., Respondent
Broker/Dealer
CRD No. 26258

Pursuant to FINRA Rule 9216 of FINRA Code of Procedure, Vandham Securities Corp. ("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 May 23, 1990, and its registration remains in effect. The firm has the following relevant disciplinary history:

On March 29, 2007, FINRA accepted an AWC in which the firm was fined \$30,000 for resolution of the firm's 2003 and 2004 TMMS Examinations (20042000169 (incl. 20050003961)) involving, in addition to other things, violations of NASD Rule 6955 and SEC Rule 606 committed during the review period December 6 through 17, 2004.

SUMMARY

Market Order Timeliness Reviews

In Review No. 20070108074, the staff of the FINRA Department of Market Regulation (“the staff”) conducted a regulatory sweep regarding Best Execution Compliance – Market Order Timeliness for the review period April 1, 2007 through June 30, 2007.

In Review No. 20090176513, the staff conducted a regulatory sweep regarding Best Execution Compliance – Market Order Timeliness for the review period January 1, 2008 through March 31, 2008.

In Review No. 20090176585, the staff conducted a regulatory sweep regarding Best Execution Compliance – Market Order Timeliness for the review period October 1, 2008 through December 31, 2008.

Market Order Protection Reviews

In Review No. 20080132039, the staff conducted a regulatory sweep regarding Best Execution Compliance – Market Order Protection for the review period January 1, 2007 through June 30, 2007.

In Review No. 20080153476, the staff conducted a regulatory sweep regarding Best Execution Compliance – Market Order Protection for the review period January 1, 2008 through March 31, 2008.

TRACE Reporting Reviews

In Review No. 20090168157, the staff conducted a regulatory sweep regarding compliance with Trade Reporting and Compliance Engine (“TRACE”) Reporting rules for the review period January 1, 2008 through March 31, 2008.

In Review No. 20090173572, the staff conducted a regulatory sweep regarding compliance with TRACE Reporting rules for the review period October 1, 2008 through December 31, 2008.

TMMS Examinations

In Review No. 20070118473, the staff conducted a Trading and Market Making Surveillance Examination (“TMMS Examination”), which included the trading activities of the firm, as set forth on Exhibit 1, for the trade dates December 6 and 7, 2007.

In Review No. 20100213040, the staff conducted a TMMS Examination, which included the trading activities of the firm, as set forth on Exhibit 2, for the trade dates January 5 and 6, 2010.

SEC Rule 605 Review

In Review No. 20090173229, the staff conducted a regulatory sweep regarding compliance with SEC Rule 605 for the review period November 1, 2008 through January 31, 2009.

VIOLATIVE CONDUCT BY RESPONDENT

Based upon the findings in the above reviews, the staff determined that the firm violated the rules and regulations set forth below:

Market Order Timeliness Reviews

In connection with Review No. 20070108074:

1. In 24 instances, the firm 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).
2. In 10 transactions for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and 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 A, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Conduct Rules 2110 and 2320.

In connection with Review No. 20090176513:

3. In 23 instances, the firm 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).
4. In 13 transactions for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and 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 Conduct Rules 2110 and 2320.

In connection with Review No. 20090176585:

5. In 19 instances, the firm failed to execute orders fully and promptly. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 2110 (for conduct prior to December 15, 2008), FINRA Rule 2010 (for conduct on or after December 15, 2008), and NASD Rule 2111(a).

6. In 11 transactions for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and 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 C, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 2110, (for conduct prior to December 15, 2008), FINRA Rule 2010 (for conduct on or after December 15, 2008), and NASD Rule 2320.

Market Order Protection Reviews

In connection with Review No. 20080132039:

7. In 15 instances during the review period, the firm accepted and held customer market orders, traded for its own account at prices that would have satisfied the customer market orders, and failed to immediately thereafter execute the customer market orders up to the size and at the same price at which it traded for its own account or at a better price. The instances are reflected on Exhibit D, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 2111(b).

In connection with Review No. 20080153476:

8. In 15 instances during the review period, the firm accepted and held customer market orders, traded for its own account at prices that would have satisfied the customer market orders, and failed to immediately thereafter execute the customer market orders up to the size and at the same price at which it traded for its own account or at a better price. The instances are reflected on Exhibit E, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 2111(b).

TRACE Reporting Reviews

In connection with Review No. 20090168157:

9. During the review period, the firm failed to report to TRACE 37 transactions in TRACE-eligible securities that it was required to report. These transactions constituted 2.47 percent of the transactions in TRACE-eligible securities that the firm was required to report to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(b). In addition, during the review period, the firm failed to report to TRACE the correct contra-party's identifier for 90 transactions in TRACE-eligible securities. These transactions constituted 6.16 percent of the inter-dealer transactions in TRACE-eligible securities that the firm reported to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(c)(6).

In connection with Review No. 20090173572:

10. During the review period, the firm failed to report to TRACE the correct time of trade execution for 459 transactions in TRACE-eligible securities. These inaccurate reports constituted 16.2 percent of the inter-dealer reports that the firm submitted to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(c)(8).

SEC Rule 605 Review

In connection with Review No. 20090173229:

11. For the months of December 2008 and January 2009, the firm made available a report on the covered orders in national market system securities that it received for execution from any person. This report included incorrect information as to the Average Realized Spreads and the Average Effective Spreads. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 605 of Regulation NMS.

TMMS Examinations

In connection with Review No. 20070118473:

12. During the review period, the firm transmitted to OATS 22 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports contained inaccurate timestamps, omitted or inaccurate Account Type Codes, and omitted Routed Order IDs. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).
13. In 18 instances during the review period, the firm failed to contemporaneously or partially execute four customer limit orders in four Nasdaq securities after it traded each subject security for its own market-making account at a price that would have satisfied each customer's limit order. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 2110 and IM-2110-2.
14. During the review period, the firm made available a report on the covered orders in national market system securities that it received for execution from any person. This report included incorrect information as to the Average Realized Spreads and At-the-Quote Average Spread. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 605 of Regulation NMS.

15. For the fourth calendar quarter of 2007, the firm made available a report on the covered orders in national market system securities that it received for execution from any person. This report included incorrect information as to the execution venues and capacity for its non-directed order flow. The conduct described in this paragraph constitutes a violation of SEC Rule 606 of Regulation NMS.

In connection with Review No. 20100213040:

16. During the examination period, the firm incorrectly reported the second leg of 495 "riskless" principal transactions as "agent" to the FINRA/Nasdaq Trade Reporting Facility. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6380A.
17. During the examination period, the firm incorrectly reported 60 principal transactions as "agent" to the OTC Reporting Facility. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7330.

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

A censure and a fine of \$70,000 (\$20,000 for the combined market order timeliness violations; \$10,000 for the combined market order protection violations; \$7,500 for the combined SEC Rule 605 violations; \$10,000 for the combined TRACE Reporting violations; \$7,500 for the SEC Rule 606 violation; \$5,000 for the trade reporting violations; \$5,000 for the limit order protection violations; and \$5,000 for the OATS reporting violations).

In addition, the firm shall make restitution to the investors listed on Exhibits A through E attached hereto, in the total combined amount of \$2,346.46, 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"). 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** 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 last resided.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments 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 the firm 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 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 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, 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;
- 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 FINRA 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 testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The firm understands that it may attach a Corrective Action Statement to this AWC, which is a statement by the Respondent of demonstrable corrective steps taken to prevent future misconduct. Respondent may not deny the findings 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 a duly authorized officer has read and understood 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.

12/12/11
Date

Vandham Securities Corp.
By: Frank Catrini
Name: FRANK CATRINI
Title: CEO

Reviewed by:

Counsel for Respondent

Accepted by FINRA:

1/17/12
Date

Thomas R. Gira
Thomas R. Gira
Executive Vice President
Market Regulation
Signed on behalf of the Director of ODA,
by delegated authority