

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

REGISTER FINANCIAL ASSOCIATES, INC.
(CRD# 30568);

and

GEORGE R. REGISTER (CRD#373031),

RESPONDENTS

**DISCIPLINARY PROCEEDING
No. 2007011496203**

HEARING OFFICER – RSH

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: March 10, 2010

INTRODUCTION

Disciplinary Proceeding No. 2007011496203 was filed on June 30, 2009, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA). Respondents Register Financial Associates, Inc. and George R. Register submitted an Offer of Settlement dated March 8, 2010. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, 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

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party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Register Financial Associates, Inc. is located in Atlanta, Georgia. The firm consists of one branch office with approximately 19 registered individuals and two non-registered persons associated with it. The firm has been a FINRA member since 1992, and provides general securities and investment advisory services, with most of its revenues derived from trading NASDAQ/OTC securities for customers.

George R. Register has owned at least part of Register Financial and its predecessors since he formed the broker-dealer in 1992. He currently owns more than 75 percent of the firm and has owned part of the firm throughout the publication of the Monitor. He serves as the firm's President, Chief Executive Officer, and Chief Compliance Officer. He also owns more than 75 percent of another broker-dealer, which he formed in October 2007. He has a general securities license and general principal license, both of which he obtained in approximately 1992.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

SUMMARY

From 1999 until January 2007, Register Financial Associates, Inc. published a newsletter entitled "The Georgia Small Cap Monitor." The Monitor was written by the firm's two research analysts and distributed to nearly two thousand of the firm's clients and potential clients every quarter. Most of the Monitor was a compendium of publicly-available information about certain Georgia-based small-cap companies. Since 2001, however, and at the behest of the firm's CEO, President, and Chief Compliance Officer, George Register, the Monitor included a section called "Stock Pick" that provided a brief analysis of the securities of one or more companies, and often included a price target and an explicit recommendation.

Despite the fact that the Stock Pick section analyzed a security, often contained a price target, and often offered an explicit recommendation, the firm ignored NASD rules and SEC regulations regarding research reports.¹ As a result, the firm violated multiple provisions of NASD rules, including provisions requiring research analysts to have the Series 86 and Series 87 licenses (Rule 1050), restricting the sharing of a draft report with the company that is the subject of the report (Rule 2711(c)), and prohibiting the trading of Stock Picks by research analysts shortly before they were profiled as Stock Picks (Rule 2711(g)(2)). The firm also failed to adequately disclose when its analysts owned the Stock Picks (Rule 2711(h)(1)(A) and Rule 2210(d)(1)(A)), failed to disclose the valuation methods and risks for price targets (Rule 2711(h)(7)), filed false attestations with FINRA

¹ As of July 30, 2007, NASD consolidated with the member regulation and enforcement functions of NYSE Regulation and began operating under a new name, the Financial Industry Regulatory Authority (FINRA). References to FINRA in this Order include, where appropriate, NASD. Following consolidation, FINRA began developing a new FINRA Consolidated Rulebook. The first phase of the new consolidated rules became effective on December 15, 2008, including certain conduct and procedural rules. This Order refers to and relies on the NASD Conduct Rules that were in effect at the time of the Respondents' misconduct.

regarding its written supervisory procedures for compliance with Rule 2711 (Rule 2711(i)), and failed to file certifications required by Rule 501(a) of Regulation AC -- Analyst Certification (Reg AC), 17 CFR 242.500-05, that the views of the analysts in the Stock Pick sections were their own. By violating these provisions, Register Financial also violated Rule 2110.

There was a wholesale lack of supervision over the publication of the Monitor and the Stock Pick section. No principal at the firm reviewed or approved the Monitors before they were distributed, as required by Rule 2210(b). One of the firm's analysts raised concerns that the Stock Pick section constituted a "research report" under NASD Rules but her concerns were brushed aside. The firm had written supervisory procedures for research reports, but by their own terms they applied only to internal reports written by the analysts, not the Stock Pick section. As a result, Register Financial violated NASD Rule 3010 and Rule 2110.

George Register was also responsible for the firm's failure to maintain adequate procedures and systems over a six-year period and for the provision of false attestations to FINRA. He supervised the research analysts and first suggested that the analysts include a Stock Pick section in the Monitor. He was identified in each Stock Pick section as the person that readers should contact for information about the Stock Picks and "other companies in our research universe." He was the "designated principal" for the firm's written supervisory procedures regarding research reports. Yet he never reviewed the Monitor to ensure compliance with NASD rules regarding research reports or communications with the public, and never asked whether any other principal at the firm was conducting that review. By virtue of these supervisory failures, George Register

violated Rule 3010 and Rule 2110. In addition, he made false attestations to FINRA that Register Financial had adopted and implemented procedures to comply with Rule 2711, in violation of Rule 2711(i) and Rule 2110.

The Georgia Small-Cap Monitor

Register Financial first published the Monitor in approximately 1999 as a marketing tool, in an attempt to earn recognition as a firm that was committed to following certain Georgia small-cap companies. The firm published the Monitor four times each year, usually in January, April, July, and October. From 2001 until February 2007, when the firm stopped publishing the Monitor, the firm distributed each edition of the Monitor to approximately 2,000 people, including clients, potential clients, and key officers of the companies covered in the Monitor.

Register Financial employs two research analysts, TW, who joined the firm in 2001, and SH, who joined the firm in 1999. Since they have joined the firm, both analysts have been supervised by George Register. From the time they joined the firm until February 2007, TW and SH prepared both the "Georgia Small Cap Monitor" and short internal research reports for the firm's brokers. While TW obtained the securities licenses necessary for him to write research reports distributed to the public as of March 2005, SH did not obtain the licenses necessary to write research reports distributed to the public until August 2007, after she and TW had stopped producing both internal research reports and the Monitor.

The Stock Pick Section

By 2001, Register Financial had added the Stock Pick section to the Monitor, which largely consisted of a synopsis of public information about certain Georgia small-

cap companies. George Register decided to add the Stock Pick section and asked TW and SH to write the section for inclusion in the Monitor. From 2001 until January 2007, Register Financial published 25 issues of the Monitor. Each contained a Stock Pick section, although in the first Monitor that section was entitled "Stock Prices for 2001."

TW and SH collaborated on choosing a security to profile as a Stock Pick, usually about one week before the Monitor containing the Stock Pick section was published. One analyst took principal responsibility for drafting a Stock Pick section but shared drafts with the other analyst.

Some of the Stock Pick sections highlighted multiple stocks, while others profiled just one stock. Each Stock Pick section contained a short analysis of the stock or stocks being highlighted, and generally recounted significant recent events for the profiled company, such as debt offerings and sales performance. Several of the Stock Pick sections contained an explicit "buy" rating for the profiled stock, while others "recommend[ed] purchase" or offered predictions about the stock, such as "the potential to double or triple over the next 1-2 years." Twenty-three of the 25 issues of the Monitor set price targets for the Stock Pick, although only the four issues published in 2006 disclosed risks associated with achieving those price targets.

In the Monitor published in April 2005, for example, the Stock Pick section included an analysis of the company whose stock was profiled, the business environment in which the company operated, a prediction of how the company would fare, a price target, and a recommendation to readers that they purchase the stock:

This quarter we would like to highlight B-L- Holdings (B--: \$13.51), a company that went public late last year after buying its assets from Georgia Pacific. B-L- is the largest distributor of building products in the US with an estimated 11% share of the market, in a highly fragmented

industry. Sales last year exceeded \$5.5 billion, producing proforma earnings of \$75 million or \$2.47 per share. The company distributes over 10,000 products, including plywood, oriented strand board, lumber, roofing, moulding, vinyl and metal products, to more than 11,700 customers through its 63 warehouses.

While operating in a cyclical industry, B-L- has a number of strategies for its operations going forward: organically growing revenues by further penetration of its account base, strategic acquisitions, expanded product and service offerings, leveraging its infrastructure, and enhancing operating margins through better inventory management and efficiency measures. We think B-L- has the management, operating capabilities and desire to find ways to grow and improve upon its operating history. Further, we expect to see them begin consolidating the industry over the next few years, adding to sales and profitability. With the new housing market, affecting roughly 50% of B-L- sales, expected to slowdown later this year, we do not expect the company to match its peak numbers from last year. We think it is more likely they earn \$1.80-\$2.00 per share in 2005 on well over \$5 billion in sales. We believe the shares have the potential to sell at 8x earnings, while providing investors a dividend yield of 3.7%. We have a price target of \$16, an 18% increase from current levels, which combined with its dividend produces over a 21% annual return. We recommend purchase.

Nineteen of the 25 Stock Pick sections concluded with a request to contact George Register for additional information on the Stock Pick or, as some of those sections put it, "other companies in our research universe."

Research Analyst Scandals and Reforms

Rule 2711 was promulgated in 2002 in the wake of highly-publicized scandals involving research analysts and research reports.² The rule was intended to "improve objectivity and transparency in equity research and provide investors with more reliable and useful information to make investment decisions."³ It was also "intended to restore

² See <http://sec.gov/news/press/2002-179.htm> (announcing "historic agreement" to reform research with ten investment banks, including \$1.4 billion in fines); a Lexis search of "research analyst" within the same sentence as "conflict of interest" in the "news and business" database yields 846 separate results between 12/31/2001 and 12/31/2004.

³ Introduction, Joint Report by NASD and the NYSE on the Operation and Effectiveness of the Research Analyst Conflict of Interest Rules (December 2005).

public confidence in the validity of research and the veracity of research analysts, who are expected to function as unbiased intermediaries between issuers and the investors who buy and sell their securities.”⁴

Most of the provisions of Rule 2711 became effective on July 9, 2002, including the subsection that defined which communications are subject to the rule. The rule originally defined “research report” as “a written or electronic communication which includes an analysis of equity securities of individual companies or industries, and which provides information reasonably sufficient upon which to base an investment decision and includes a recommendation.” On July 9, 2003, the requirement that the report include a recommendation was dropped.⁵ The latest that provisions of Rule 2711 were put into effect was on May 5, 2003.⁶

The Notice to Members announcing the adoption of Rule 2711 attached a Joint Memorandum of the NASD and the NYSE discussing and interpreting the new rule. There was a section of the Joint Memorandum entitled “Research Report.” In that section, NASD and NYSE recited the elements of the definition of “research report” and cautioned members to “consider each communication in this context in determining whether it is or is not a ‘research report.’”⁷ In addition, the Joint Memorandum stated that “the term ‘research report’ includes any public communication of a member that falls within the definition, regardless of the means of distribution . . .”⁸ The Joint Memorandum noted that “[m]ember communications that mention or discuss particular equity securities come in a variety of forms, and . . . [t]he issue of whether a particular

⁴ Notice to Members (NTM) 08-55.

⁵ SEC Rel. No. 34-48252 (July 29, 2003), 68 Fed. Reg. 45875 (Aug. 4, 2003); NTM 03-44.

⁶ Analyst Implementation Schedule.

⁷ NTM 02-39, Attachment B at 367.

⁸ NTM 02-39, Attachment B at 367

communication constitutes a 'research report' for purposes of [Rule 2711] will turn on the individual facts and circumstances surrounding that communication."⁹ Finally, the Notice to Members reminded members that "[i]n addition to the disclosures required by Rule 2711, NASD members and research analysts must provide disclosure in research reports that is required by NASD Rule 2210."¹⁰

FINRA has published numerous Notices to Members regarding Rule 2711 and research reports between the approval of the rule by the SEC on May 10, 2002 and January 2007, when Register Financial stopped publishing the Stock Pick section.¹¹

**Register Financial and George Register Ignore Rule 2711
in Publishing the Stock Pick Section**

Despite the wide notice that accompanied the passage of Rule 2711, neither the firm nor George Register followed NASD rules or SEC regulations regarding research reports for the Stock Pick sections of the Monitors.

The firm had written supervisory procedures for research analysts and research reports, which listed George Register as a "designated principal" and required that research reports include disclosures required by FINRA Rules and SEC regulations. But the firm ignored these procedures for the Stock Pick section. Instead, the procedures stated that "the firm does not publish research reports," and "[a]ll reports are to be internal use only."

But Register Financial did publish a research report distributed to the public -- the Stock Pick section of the Monitor. Between July 9, 2002 and July 9, 2003, the Stock Pick section included a recommendation, then a requirement for a research report under

⁹ NTM 02-39, Attachment B at 367

¹⁰ NTM 02-39 at 354.

¹¹ NTM 02-39, NTM 02-44, NTM -- For Your Information (Nov. 2002); NTM 03-44, NTM 04-18, NTM 04-25, NTM 04-81, NTM 05-14, NTM 05-24, NTM 05-34, NTM 07-04.

Rule 2711. After July 9, 2007, the requirement of a recommendation was dropped from the definition of “research report” under Rule 2711, and the Stock Pick sections published by the firm between July 9, 2003 and January 2007 met that definition.

Treating the Stock Pick section as a research report would impose certain disclosure obligations that the firm did not wish to undertake, as evidenced in e-mails sent by SH in 2005. On July 15, 2005, SH sent an e-mail to SA, then a principal at the firm, entitled “GA small cap newsletter[.]” In the e-mail, SH wrote that “[w]e need you to read and approve this newsletter so we can give the printers the go-ahead [to publish the Monitor]” and “I would be very grateful if you could do this as quickly as possible.” Six minutes later, however, she sent another e-mail to the principal retracting her request:

Sorry [SA]. I forgot we don't treat Newsletter as Research. Otherwise we would have to have too many disclosure items. So you don't have to sign off on it.

Register Financial Ignores SH's Concerns

In approximately 2005 or 2006, SH raised concerns with TW and the firm's compliance consultant, who was not a licensed research analyst, about the Stock Pick section. SH told the compliance consultant that she was uncomfortable writing the Stock Pick section because it included a recommendation and might qualify as a research report under NASD rules, while the firm was not making the multiple disclosures required of research reports under NASD rules. She asked TW and the consultant, whom she mistakenly believed to be the Chief Compliance Officer, if the firm could publish the Monitor without disclosures required of research reports under FINRA rules.

TW told SH that he was not concerned because he did not believe the Stock Pick section provided enough information for readers to make an investment decision. The compliance consultant told SH he would get back to her with an answer, but he never did.

The Firm Files False Attestations

Despite the fact that the firm did not comply with the provisions of Rule 2711 when publishing the Stock Section, which was the only external research it published, the firm filed three attestations with FINRA in 2004 and 2005 that it was complying with Rule 2711. The three attestations, dated March 30, 2004, December 22, 2004, and December 8, 2005, were prepared by the firm's compliance consultant, but signed and filed by George Register.

The attestations signed by George Register provided:

In my capacity as a senior officer of Register & Akers Investments, I attest that the firm has adopted and implemented such procedures to comply with the Research Analyst Conflicts Rule (NASD Rule 2711).

The firm made no attestations in 2006 or 2007, even though it continued to publish the Stock Pick section of the Monitor in those years.

**VIOLATIONS OF RULE 1050 AND RULE 2110
PUBLISHING RESEARCH REPORTS WRITTEN BY RESEARCH ANALYSTS WITHOUT
THE REQUIRED SECURITIES LICENSES
(REGISTER FINANCIAL)**

As of March 30, 2004, Rule 1050 required all persons who functioned as research analysts to be registered as such and pass the appropriate qualification examinations.¹² Persons who at the time were working as research analysts were given a one-year grace period in which to pass the examination.¹³ There are two examinations that are required of research analysts -- the Series 86 and 87 examinations, although some applicants can obtain a waiver of the Series 86 examination.¹⁴ Analysts could not and cannot publish research reports without first obtaining those licenses.

SH did not pass the Series 86 and Series 87 examinations until August 14, 2007. By that time, though, the firm had stopped publishing the Monitor, including the Stock Pick section.

Even though she did not have the required securities licenses, SH functioned as a research analyst by writing all or part of four Stock Pick sections between March 30, 2005 and the time that the firm stopped publishing the Monitor -- the First Quarter 2005 Monitor, the Second Quarter 2005 Monitor, the Third Quarter 2005 Monitor, and the First Quarter 2006 Monitor. In addition, she reviewed drafts of four other Stock Pick sections -- the Fourth Quarter 2006 Monitor, the Third Quarter 2006 Monitor, the Second Quarter 2006 Monitor, and the Fourth Quarter 2005 Monitor -- drafted by TW between March 30, 2005 and the time the firm stopped publishing the Monitor, before they were published.

¹² See SRD-NASD-2002-154.

¹³ NTM 04-25.

¹⁴ NTM 04-25.

Because SH was the principal author of four Stock Pick sections and contributed to four other Stock Pick sections without having the Series 86 or Series 87 licenses required for research analysts, Register Financial violated Rule 1050 between March 20, 2005 and January 2007. By virtue of violating Rule 1050, Register Financial also violated Rule 2110.

**VIOLATIONS OF RULE 2711(c)(2) AND RULE 2110
IMPROPER COMMUNICATION WITH A SUBJECT COMPANY
(REGISTER FINANCIAL)**

Rule 2711(c)(2) provides that a member can share a draft of a research reports with the company whose securities are the subject of the report only under the following conditions:

A member may submit sections of such a research report to the subject company before its publication for review as necessary only to verify the factual accuracy of information in those sections, provided that:

(A) the sections of the research report submitted to the subject company do not contain the research summary, the research rating or the price target; [and]

(B) a complete draft of the research report is provided to legal or compliance personnel before sections of the report are submitted to the subject company; . . .

On January 10, 2006, TW sent an e-mail to the CFO of K-, a Georgia-based company, and attached a three-page draft research report initiating coverage on K-. The draft report had a research summary, "buy" rating, and a price target, as well as a detailed analysis of K-'s business model, revenue growth, potential markets, cash flow, liquidity, and valuation. In the e-mail to the CFO, TW asked him to "please read over the report for any factual errors" and that "[w]e also plan to use K- as our stock pick in our year-end

newsletter.” TW did not provide a draft of any aspect of the report to legal or compliance personnel at Register Financial prior to sending the draft to K-.

The next day, January 11, 2006, TW sent another e-mail to the CFO of K-, attaching the “final report with the corrections made,” and told the CFO that “[f]or our stock pick section in the newsletter, it will be the same information in a more summarized form.”

Approximately two weeks after TW sent the draft report to the CFO of K-, Register Financial published the Fourth Quarter 2005 edition of the Monitor. K- was featured in the Stock Pick section, which summarized the draft report that TW sent to the CFO. The Stock Pick section gave K- a “buy” rating and set forth same price target as in the draft report sent by TW to K-.

Because Register Financial shared a draft of the Stock Pick section with K-before it was published, because the draft contained a research summary, rating and price target, and because a draft was not provided to legal or compliance personnel at the firm, Register Financial violated Rule 2711(c)(2). In addition, by virtue of violating Rule 2711(c)(2), Register Financial also violated Rule 2110.

**VIOLATIONS OF RULE 2711(g)(2) AND RULE 2110
IMPROPER TRADING OF STOCK PICKS
(REGISTER FINANCIAL)**

Register Financial did not monitor and placed no restrictions on the trading of Stock Picks by its research analysts, who both placed trades in violation of the limits placed on analysts by Rule 2711(g). Rule 2711(g)(2) generally prohibits trading by analysts of a stock they follow from 30 days before until five days after they publish a

report concerning that company unless the report is pre-approved by legal or compliance personnel at the member firm:

No research analyst account may purchase or sell any security issued by a company that the research analyst follows, . . . for a period beginning 30 calendar days before and ending five calendar days after the publication of a research report concerning the company or a change in rating or price target of the company's securities; provided that

. . .

(B) a member may permit a research analyst account to purchase or sell any security issued by a subject company within 30 calendar days before the publication of a research report . . . , provided that legal or compliance personnel pre-approve the research report . . .

The trading restrictions of Rule 2711(g) apply both to an analyst's own accounts as well as accounts over which the analyst has discretion or control. Rule 2711(a)(6) defines "research analyst account" as "any account in which a research analyst . . . has a financial interest, or over which such analyst has discretion or control . . ." TW was the registered representative for several accounts, and he exercised discretion for each of those accounts. Accordingly, the trading restrictions of Rule 2711(g) applied not only to TW's individual accounts and SH's individual accounts, but also to the accounts for which TW was the registered representative.

Register Financial failed to retain records showing the dates that Monitors were published prior to 2005. Nevertheless, as alleged in detail below, on at least five occasions since 2005, TW purchased securities for his own account or accounts he controlled within 30 days before they were featured as Stock Picks. SH purchased securities for her own account on one occasion within 30 days before that security was featured as Stock Picks since 2005.

The Stock Pick section of the Monitor published on October 27, 2005 featured multiple stocks, including P- G- S-, Inc., I- S-, Inc., S- B-, Inc., and A- R-, Inc. It was not pre-approved by legal or compliance personnel at Register Financial. TW purchased 100 shares of P- G- S- for his own account on October 11, 2005. TW purchased 500 shares of S- B- on October 19, 2005 and 1,600 shares of I- S- on October 27, 2005 for the account of his client, BH. TW purchased 250 shares of A- R- on October 14, 2005 and 700 shares of I- S- on October 27, 2005 for his client, RD.

In addition, SH purchased 300 shares of a security, M- W- P-, Inc. for her own account four days before that security was included in the January 2007 Monitor as a Stock Pick. The January 2007 Stock Pick section was not pre-approved by legal or compliance personnel at Register Financial.

Because TW and SH purchased securities for their own accounts, and TW purchased securities for accounts he controlled, within 30 days prior to the securities being featured as Stock Picks in Monitors published by Register Financial, and because the Stock Pick sections were not pre-approved by legal or compliance personnel at the firm, Register Financial violated Rule 2711(g). By virtue of violating Rule 2711(g), Register Financial also violated Rule 2110.

**VIOLATIONS OF RULE 2711(h)(1)(A), RULE 2210(d)(1)(A), AND RULE 2110
FAILURE TO DISCLOSE FINANCIAL INTEREST IN STOCK PICKS
(REGISTER FINANCIAL)**

Rule 2711(h)(1) requires members to disclose certain information in their research reports. If a research analyst has a financial interest in securities that are the subject of a research report, that member must disclose it:

A member must disclose in research reports . . . (A) if the research analyst . . . has a financial interest in the securities of the subject company, and the nature of the financial interest (including, without limitation, whether it consists of any option, right, warrant, future, long or short position).

Disclosures in research reports are also governed by Rule 2210(d)(1)(A), which provides that:

all member communications with the public shall be based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service. *No member may omit any material fact or qualification if the omission, in light of the context of the material presented, would cause the communication to be misleading.*

(emphasis added).

Rule 2210(d)(1)(A) is supplemented by IM-2210-1. IM-2210-1(6)(A) provides that:

[i]n making a recommendation in advertisement and sales literature, . . . a member must have a reasonable basis for the recommendation and must disclose . . . (ii) that the member and/or its officers or partners have a financial interest in any of the securities of the issuer whose securities are recommended, and the nature of the financial interest (including, without limitation, whether it consists of any option, right, warrant, future, long or short position), unless the extent of the financial interest is nominal.

In addition, Rule 2711(h)(10) requires disclosures of financial interests to be “presented on the front page of research reports or the front page must refer to the page on which disclosures are found.” Rule 2711(h)(10) also states that “[d]isclosures and

references to disclosures must be clear, comprehensive and prominent.” While the last page of each Monitor stated that the firm and its analysts “may take significant long or short positions in the securities of the companies mentioned in the report[,]” the statement contained no detail and was insufficient to satisfy the disclosure obligations of Rule 2711(h)(10).

Register Financial did not keep records showing the publication dates of the Monitor prior to 2005. For two Stock Pick sections since 2005, however, TW owned securities when they were profiled as Stock Picks. In addition, SH owned four securities when they were profiled as Stock Picks but Register Financial. Because Register Financial never monitored whether SH or TW owned securities when they were profiled as Stock Picks, however, the firm never disclosed that TW and SH owned the securities when they were profiled as Stock Picks.

The Monitor published in October 2006 featured W- S- in the Stock Pick section. At the time of publication, TW owned 400 shares of W- S-. However, Register Financial did not disclose TW’s ownership of that security in the Stock Pick section.

The Monitor published in October 2005 featured P- G- S- as one of the Stock Picks. At the time of publication, TW owned 300 shares of P- G- S-. However, Register Financial did not disclose TW’s ownership of that security in the Stock Pick section.

In the Monitor published in January 2006, K- was profiled as the Stock Pick. Register Financial did prominently disclose in the Stock Pick section that TW owned K- by stating that “the analyst responsible for this report, holds a position in K[-].”

Since 2005, SH owned four securities when they were profiled as Stock Picks. SH owned M- W- when the Monitor featuring the company in the Stock Pick section was

published in January 2007. However, Register Financial did not disclose SH's ownership of M- W- in the Stock Pick section. The Stock Pick section of the Monitor published in October 2005 profiled P- G- S-, S- Corp. and T-C- Technologies, among other stocks. SH owned shares in all three of these companies at the time of publication. However, Register Financial did not disclose SH's ownership of those securities in the Stock Pick section.

By failing to disclose in the Stock Pick sections of the Monitors published in January 2007, October 2006, and October 2005 that TW or SH had a financial interest in the securities profiled as Stock Picks, the firm violated Rule 2711(h)(1)(A). By virtue of violating Rule 2711(h)(1)(A), the firm also violated Rule 2110.

By failing to disclose in the Stock Pick sections of the Monitors published in January 2007, October 2006, and October 2005 that TW or SH had a financial interest in the securities profiled as Stock Picks, Register Financial omitted a material fact that rendered those sections misleading, in violation of Rule 2210(d)(1)(A). By virtue of violating Rule 2210(d)(1)(A), the firm also violated Rule 2110.

**VIOLATIONS OF RULE 2711(h)(7) AND RULE 2110
FAILURE TO DISCLOSE VALUATION METHODS AND RISKS
(REGISTER FINANCIAL)**

As of July 9, 2002, Rule 2711(h)(7) required members to "disclose in research reports the valuation methods used to determine a price target." The rule also provided that price targets "must be accompanied by a disclosure concerning the risks that may impede achievement of the price target."

After July 9, 2002, Register Financial published approximately 19 issues of the Monitor, each with a Stock Pick section. In approximately 16 of the Stock Pick sections,

Register Financial included a price target.¹⁵ However, the firm did not disclose the valuation methods used to determine the price target in any of those approximately 16 Stock Pick sections. In addition, the firm did not disclose risks to achieving the price target in approximately 12 of the Stock Pick sections -- all but the sections contained in the Monitors published in calendar year 2006.

As a result, Register Financial violated Rule 2711(h)(7). By virtue of violating Rule 2711(h)(7), the firm also violated Rule 2110.

**VIOLATIONS OF RULE 2711(i) AND RULE 2110
FALSE ATTESTATIONS TO FINRA
(REGISTER FINANCIAL AND GEORGE REGISTER)**

Rule 2711(i) was implemented on November 6, 2002. The provision requires a "senior officer" of a member firm to provide an annual attestation to FINRA that it has "adopt[ed] and implement[ed] written supervisory procedures reasonably designed to ensure that the member and its employees comply with the provisions of" Rule 2711. The "senior officer" must also attest that the firm's analysts are not compensated in any way "based upon a specific investment banking services transaction."

On behalf of Register Financial, George Register signed and filed attestations with FINRA dated March 30, 2004, December 22, 2004, and December 8, 2005. However, the attestations failed to state that the firm's analysts were not compensated based upon specific investment banking services transactions. The firm did not file

¹⁵ The Stock Pick sections published after July 9, 2002 that included a price target were in the Second Quarter 2002 Monitor, the Third Quarter 2002 Monitor, the First Quarter 2003 Monitor, the Second Quarter 2003 Monitor, the Third Quarter 2003 Monitor, the Fourth Quarter 2003 Monitor, the First Quarter 2004 Monitor, the Second Quarter 2004 Monitor, the Third Quarter 2004 Monitor, the First Quarter 2005 Monitor, the Second Quarter 2005 Monitor, the Fourth Quarter 2005 Monitor, the First Quarter 2006 Monitor, the Second Quarter 2006 Monitor, the Third Quarter 2006 Monitor, and the Fourth Quarter 2006 Monitor.

attestations in 2002, 2003, 2006, or 2007, when the firm was publishing research reports, in the form of the Stock Pick section of the Monitor.

In addition, the attestations made by George Register in 2004 and 2005 were false. Those attestations stated that the firm “has adopted and implemented such procedures to comply with the Research Analyst Conflicts Rule (NASD Rule 2711).” But Register Financial did not have written or other supervisory procedures reasonably designed to ensure compliance with Rule 2711. By their own terms, the firm’s procedures relating to research reports applied only to the firm’s internal reports. During the time period covered by the attestations, the firm was publishing Stock Pick sections, which qualify as “research reports” under Rule 2711. However, those reports were not covered under the firm’s procedures at all.

By failing to file attestations in 2002, 2003, 2006, and 2007, and by filing false attestations in 2004 and 2005, Register Financial and George Register violated Rule 2711(i) and, by virtue of violating Rule 2711(i), also violated Rule 2110.

**VIOLATIONS OF REGULATION AC AND RULE 2110
FAILURE TO MAKE ANALYST CERTIFICATIONS
(REGISTER FINANCIAL)**

On February 6, 2003, the SEC issued Regulation AC -- Analyst Certification, 17 CFR 242.500-05, with an effective date of April 14, 2003. Among other things, Regulation AC requires member firms and their associated persons to certify in research reports that the views expressed in the research reports are accurate. Specifically, Regulation AC requires research analysts to make a “prominent certification” that contains the following:

(1) a statement attesting that all of the views expressed in the research report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers; and

(2) (i) A statement attesting that no part of the research analyst's compensation was, is, or will be directly or indirectly, related to the specific recommendation or views expressed by the research analyst in the research report; or

(ii) A statement:

(A) Attesting that part or all of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the research analyst in the research report;

(B) Identifying the source, amount and purpose of such compensation; and

(C) Further disclosing that the compensation could influence the recommendations or views expressed in the research report.

Register Financial failed to make any of the certifications required by Regulation AC for any of the Stock Pick sections published after April 14, 2003. As a result, Register Financial violated Regulation AC, and by virtue of violating Regulation AC, also violated Rule 2110.

**VIOLATIONS OF RULE 2210(b)(1) AND (2) AND RULE 2110
FAILURE TO HAVE PRINCIPAL APPROVAL OF THE MONITOR
(REGISTER FINANCIAL)**

Rule 2210(a)(2) defines "sales literature" as "any written or electronic communication . . . that is generally distributed or made generally available to customers or the public, including circulars, research reports, . . . performance reports or summaries . . ." The Monitor was distributed to approximately 2,000 customers and potential customers each quarter from 2001 to 2007. The Monitor was "sales literature" covered by Rule 2210(a)(2).

Rule 2210(b)(1) requires a member to have a registered principal approve by signature or initial and date each item of sales literature before the earlier of its use or filing with FINRA's Advertising Regulation Department. Members must also include the name of the registered principal who approved each item of sales literature and the date that approval was given for three years, according to Rule 2210(b)(2).

No principal of Register Financial reviewed or approved the Monitors before they were published.

As a result, Register Financial violated Rule 2210(b)(1) and (2) and, by virtue of those violations, also violated Rule 2110.

**VIOLATION OF RULE 3010(a) AND (b) AND RULE 2110
FAILURE TO ESTABLISH AND MAINTAIN AN ADEQUATE SUPERVISORY SYSTEM,
INCLUDING WRITTEN SUPERVISORY PROCEDURES, REGARDING RESEARCH REPORTS
(REGISTER FINANCIAL AND GEORGE REGISTER)**

Rule 3010(a) provides that "[e]ach member shall establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, . . ." Rule 3010(b) provides that "[e]ach member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of [FINRA]."

Rule 2711 was enacted after high-profile research-analyst scandals. The bulk of Rule 2711 has been in effect since July 9, 2002. The latest that provisions of Rule 2711 were put into effect was May 5, 2003.

FINRA has issued numerous Notices to Members regarding the requirements of Rule 2711 during the time that Register Financial was publishing the Stock Pick section. Yet Register Financial ignored the requirements of the rule, even as it published Stock Pick sections that fall squarely within the definition of a “research report” for purposes of Rule 2711, and failed to adopt or implement adequate or effective supervisory procedures to cover research reports. In fact, no registered principal at the firm reviewed or approved the Monitors, including the Stock Pick sections, before they were published each quarter for over a period of more than six years.

Further, the firm ignored red flags. SH raised concerns in 2005 or 2006 about whether the Stock Pick section qualified as a research report. But her concerns were not effectively addressed by anybody at the firm. Nobody at the firm ever analyzed in a meaningful way whether the Stock Pick section qualified as a “research report,” and, if so, how that affected the firm’s obligations under FINRA Rules.

The firm also failed to establish, maintain, and enforce written supervisory procedures for the Monitor. The firm had written supervisory procedures for reports written by the research analysts, but they governed only internal reports. The firm had no written supervisory procedures that governed research reports distributed to the public.

George Register failed to adequately discharge his supervisory responsibilities. In addition to being the President, CEO, and Chief Compliance Officer of the firm, he directly supervised the firm’s two research analysts and was the “designated principal” under the firm’s written procedures for research reports. In addition, he was identified in multiple Monitors as a contact person for questions about the Stock Pick or “other companies in [the firm’s] research universe.” However, Register never took any effective

action to ensure that the firm was meeting its obligation to comply with Rule 2711 or other NASD Rules. He never asked whether a registered principal was reviewing the Monitor before it was published, or whether that review was documented. He never asked the analysts he supervised whether they viewed the Stock Pick section to be a research report and never otherwise took effective action to determine whether the Stock Pick section should be considered a research report, even though he filed attestations with FINRA that the firm was complying with Rule 2711. Register also failed to implement any written supervisory procedures or supervisory systems reasonably designed to achieve compliance with Rule 2711 in connection with the publication of the Stock Pick section. Moreover, Register ignored red flags that the firm was publishing research reports, such as that the Stock Pick sections often contained price targets, explicit recommendations, and analyses of equities, and used the phrase "research universe." In addition, Register never monitored the trading or ownership of Stock Picks by the firm's two research analysts, and imposed no restrictions on whether the analysts could trade or own securities when they were profiled as Stock Picks. Instead, Register essentially allowed the analysts to publish the Monitor and the Stock Pick section unsupervised.

As a result, Register Financial and George Register violated Rule 3010(a) and (b). By virtue of their violations of Rule 3010(a) and (b), Register Financial and George Register also violated Rule 2110.

Based on the foregoing, Respondent Register Financial violated the following NASD Rules: Rule 1050, Rule 2711(c)(2), Rule 2711(g)(2), Rule 2711(h)(1)(A), Rule 2210(d)(1)(A), Rule 2711(b)(7), Rule 2711(i), Rule 2210(b)(1) & (2), and Rule 3010(a). Register Financial also violated Reg A-C, 17 C.F.R. 242.500-05. Each of these rule violations was also a violation of NASD Rule 2110.

Based on the foregoing, Respondent George Register violated the following NASD Rules: Rule 2711(i) and Rule 3010(a). Each of these rule violations was also a violation of NASD Rule 2110.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

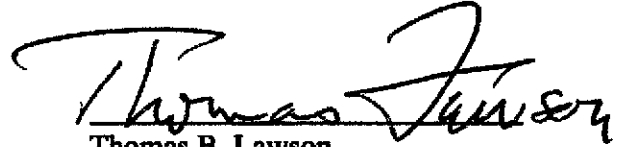
It is ordered that Respondent Register Financial be fined in the amount of \$50,000, and that George Register be suspended for 30 days in all principal and supervisory capacities, and fined in the amount of \$15,000.

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

SO ORDERED.

FINRA

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

A handwritten signature in black ink, appearing to read "Thomas B. Lawson", written over a horizontal line.

Thomas B. Lawson
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