

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008011702001**

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

RE: Healthcare Community Securities Corporation, Respondent
Member Firm
BD No. 36026

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Healthcare Community Securities Corporation ("Healthcare") 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. Healthcare 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

Healthcare has been a member of FINRA since December 1, 1994. The firm employs approximately 17 registered representatives in three New York offices, including its main office located in Rensselaer. Healthcare's securities business is limited in scope to providing investment and fiduciary support for defined benefit pensions, retirement plans, endowment funds and foundations.

Healthcare has no FINRA disciplinary history.

OVERVIEW

From 2004 through 2008, Healthcare did not maintain and preserve all electronic communications relating to the firm's business and did not establish, maintain and enforce a supervisory system and/or written supervisory procedures that were reasonably designed to achieve compliance with the rules and regulations applicable to the retention of such communications. This conduct violated Rule 17a-4 of the Securities Exchange Act of 1934 ("Rule 17a-4"), FINRA Rule 2010 and NASD Conduct Rules 3110, 3010 and 2110.

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FACTS AND VIOLATIVE CONDUCT

At the times relevant herein, Rule 17a-4 required that member firms maintain and preserve, for a period of not less than three years, electronic communications relating to the firm's business as a broker-dealer. In Notices to Members 01-80 and 03-33, FINRA communicated to members their on-going recordkeeping and supervisory obligations with respect to electronic communications, including e-mail.

From at least November 2004 through December 30, 2008 (the "relevant time period"), Healthcare utilized the electronic communication ("e-mail") system of an affiliated company (not a member firm). Healthcare, however, was aware that the affiliate's e-mail storage system was incapable of preserving all such communications on back-up tapes or any other medium. Therefore, throughout the relevant time period, Healthcare registered representatives were required to place a copy of their business-related e-mail correspondence into an electronic folder accessible to the firm because the system did not automatically transfer the emails. The representatives, however, did not place all such e-mails in that folder. As a result, Healthcare did not maintain and preserve all business-related e-mails sent and received by its registered representatives. In early 2008, the firm detected this issue and implemented an electronic system designed to retrieve and store e-mails at the end of each day. That system, however, could not retain e-mails that had been deleted during the day. By failing to maintain and preserve all of its business-related e-mails during the relevant time period, Healthcare violated FINRA Rule 2010 (for conduct after December 14, 2008), NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 3110 and Rule 17a-4.

During the relevant time period, Healthcare's supervisory system and written procedures were not reasonably designed to ensure compliance with the foregoing e-mail retention requirements, because, among other things, the firm relied on its registered representatives to manually capture business-related communications and place a copy into the firm's electronic folder. Healthcare's procedures did not otherwise provide for any reasonable follow up and review to ensure that copies of all e-mail communications were, in fact, being captured and maintained. By failing to establish and maintain a supervisory system, and failing to establish, maintain and enforce written supervisory procedures, that were reasonably designed to achieve compliance with the rules and regulations applicable to the retention of electronic communications, Healthcare violated FINRA Rule 2010 (for conduct after December 14, 2008), NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 3010.

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

- a censure and a \$35,000 fine.

In addition, Healthcare shall comply with the following undertakings within the time period specified (unless otherwise extended by FINRA staff following a written request by Healthcare):

- a. Healthcare shall undertake to review its supervisory system and procedures concerning preservation of electronic communications for compliance with FINRA rules and the federal securities laws and regulations. Within 60 calendar days of the issuance of this AWC, an officer of Healthcare will certify to FINRA in writing that the firm has completed its review and that it has established systems and procedures reasonably designed to achieve compliance with those laws, regulations and rules concerning the preservation of electronic communications.
- b. The certification, along with the updated procedures, must be submitted to FINRA's New Jersey District Office staff. Although FINRA staff may review the revised procedures, said review shall in no way constitute an approval of the revised procedures. The failure of FINRA staff to alert Healthcare to any deficiencies in the revised procedures shall not preclude FINRA from instituting a subsequent disciplinary action as a result of deficiencies in the revised procedures.

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

Healthcare 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.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against it;

- 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Healthcare 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.

Healthcare 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

Healthcare 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 it;
- C. If accepted:
 - 1. this AWC will become part of Healthcare's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Healthcare's disciplinary record;

3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313;
 4. Healthcare 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. Healthcare 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; and
- D. Healthcare may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Healthcare 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 understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that Healthcare 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 the firm to submit it.

1/07/2010
Date

Healthcare Community Securities Corporation

By:

James Joseph Kelley
James Joseph Kelley
President

Reviewed by:

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Accepted by FINRA:

2.5.10
Date

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



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