

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008011737901**

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

RE: Foreside Distribution Services, L.P., Respondent
Member Firm
CRD No. 15634

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Foreside Distribution Services, L.P. ("Foreside" 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. Foreside 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

Foreside (f/k/a Bisys Fund Services Limited Partnership) has been a FINRA member since November 1984. Foreside is engaged in the business of providing distribution services to the mutual fund industry. The Firm employs approximately 30 registered representatives in five offices, including its main office in Boston, Massachusetts. Many of Foreside's registered representatives are employed by the Firm's investment adviser clients.

RELEVANT DISCIPLINARY HISTORY

In December 2005, NASD censured and imposed a \$50,000 fine against the Firm, then known as Bisys Fund Services Limited Partnership and under different management and ownership, for

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violating NASD Conduct Rules 3110, 3010 and 2110 and Rule 17a-4 of the Securities Exchange Act of 1934 ("Exchange Act"). NASD found that the Firm had not maintained and preserved all e-mail communications as required by Exchange Act Rule 17a-4 and that the Firm's written supervisory procedures were not reasonably designed to ensure compliance with the e-mail retention requirements.

OVERVIEW

Foreside failed to retain all business-related electronic communications and failed to establish, maintain and enforce a supervisory system and/or written supervisory procedures that were reasonably designed to ensure that all electronic communications relating to the firm's business were retained in an easily accessible place. This conduct violated Exchange Act Rule 17a-4 and NASD Conduct Rules 3110, 3010 and 2110.

FACTS AND VIOLATIVE CONDUCT

I. FAILURE TO RETAIN ELECTRONIC COMMUNICATIONS

At the times relevant herein, Exchange Act Rule 17a-4 required that member firms maintain and preserve, for a period of not less than three years (the first two years in an easily accessible place), electronic communications relating to the firm's business as a broker-dealer. In Notices to Members 98-11, 01-80 and 03-33, FINRA provided member firms information and guidance regarding their supervisory and recordkeeping obligations as to electronic communications, including e-mails and instant messaging.

From at least August 2007 to October 2008 (the "relevant period"), Foreside failed to maintain and preserve all of its business-related electronic communications. During this period, Foreside's registered representatives were divided between those who were employed by Foreside ("Foreside employed representatives") and those who were employed by Foreside's investment adviser clients ("non-Foreside employed representatives"). Business-related electronic communications sent or received by non-Foreside employed representatives were retained by Foreside's investment adviser clients. Foreside did not have custody or control over those records and could not easily access them without first requesting them from, and having such records subject to review by, each investment adviser client. The Firm did not have an adequate system or agreement in place to ensure that the business-related electronic communications were retained and made easily accessible to Foreside.

By failing to maintain and preserve all of its business-related electronic communications, Foreside violated Exchange Act Rule 17a-4 and NASD Conduct Rules 3110 and 2110.

II. FAILURE TO ESTABLISH A REASONABLY DESIGNED SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES

At the times relevant herein, Rule 3010(a) required member firms to establish and maintain a system to supervise the activities of all associated persons that was reasonably designed to achieve compliance with all applicable laws, rules, and regulations. Rule 3010(b) required members to establish, maintain and enforce written procedures to supervise the types of business in which it engaged and the activities of all associated persons that were reasonably designed to achieve compliance with all applicable laws, rules and regulations.

During the relevant period, Foreside failed to establish and maintain a supervisory system, and failed to establish, maintain and enforce written supervisory procedures ("WSPs"), reasonably designed to maintain and preserve all business-related electronic communications, including e-mails, in an easily accessible place. During most of the relevant period, Foreside's WSPs did not address the retention of electronic communications sent and received by non-Foreside employed registered representatives. In August 2008, Foreside amended its WSPs to specifically address the retention of those records. The revised procedures, however, were deficient because they relied upon the Firm's investment adviser clients to retain the relevant electronic communications on the client's systems and did not ensure that the Firm had easy access to the records.

By failing to maintain a reasonably designed supervisory system and WSPs to maintain and preserve all business-related electronic communications, including e-mails, in an easily accessible place Foreside violated NASD Conduct Rules 3010 and 2110.

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

- a censure; and
- a fine in the amount of \$100,000.

In addition, Foreside agrees to comply with the following undertaking within the time periods specified (unless otherwise extended by FINRA staff following a written request by Foreside):

- Within 90 calendar days of the issuance of this AWC, the President

of Foreside will certify to FINRA in writing that Foreside currently has in place systems and procedures reasonably designed to achieve compliance with those laws, regulations, and rules concerning the preservation of electronic mail communications. The certification, along with the current procedures, must be submitted to FINRA's Boston 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 Foreside 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.

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

Foreside 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

Foreside 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, Foreside 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.

Foreside 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

Foreside 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;
- C. If accepted:
 - 1. this AWC will become part of Foreside'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 Foreside's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Foreside 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

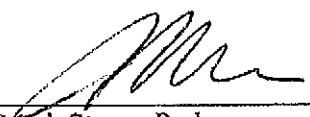
the impression that the AWC is without factual basis. Foreside may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Foreside's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and

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

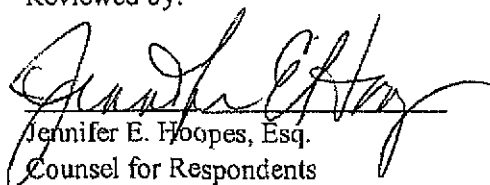
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, threat,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

Foreside Distribution Services, L.P.

Date 1/20/2010

By: 
Mark Steven Redman
President

Reviewed by:


Jennifer E. Hoopes, Esq.
Counsel for Respondents
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1/29/2010
Date

Accepted by FINRA:
Signed on behalf of the
Director of ODA, by delegated authority



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