

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080125468-02**

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

RE: Dawson James Securities, Inc., Respondent
Broker-Dealer
CRD No. 130645

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Dawson James Securities, Inc., (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 August 6, 2004, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has no relevant disciplinary history.

SUMMARY

In matter 20080125468, the Trading Analysis Section of FINRA's Department of Market Regulation reviewed certain retail trading activity at the firm during the period of January 1, 2007 through December 31, 2008 (the "review period"), which included a review of the firm's overall supervisory system and written supervisory procedures regarding equity trading.

FACTS AND VIOLATIVE CONDUCT

1. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, the Rules of NASD, and/or the Rules of FINRA. At a minimum, adequate written supervisory procedures 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 minimum requirements for adequate written supervisory procedures, in the following subject areas: (1) registered representatives' disclosure of potential conflicts of interests to clients (b); (2) registered representatives' trading in the opposite direction of solicited customer transactions (a, b, c, d); (3) sales practice concerns, including, unauthorized trading, suitability, excessive trading, and free-riding (b, d); (4) concentrations of securities in clients' accounts (b, d); (5) sharing of profits or losses in clients' accounts (b, d); (6) wash sales (a, b, c, d); (7) coordinated trading (a, b, c, d); (8) marking the open and marking the close (a, b, c, d); (9) cancel-rebill transactions in clients' accounts (a, b, c, d); and, (10) the review of registered representatives' electronic communications (b, d). The conduct described in this paragraph constitutes violations of NASD Conduct Rules 2110 and 3010 for the period prior to December 15, 2008, and violations of FINRA Rule 2010 and NASD Rule 3010 for the period on and after December 15, 2008.

2. During the review period, the firm failed to investigate numerous "red flags" relating to the activities of one registered representative, DM, including: (1) numerous exceptions generated on the firm's supervisory reports, including exceptions related to commissions charged to DM's clients; (2) high concentrations of one security in DM's clients' accounts; and, (3) numerous cancel – rebill requests for DM's clients' accounts. The conduct described in this paragraph constitutes violations of NASD Conduct Rules 2110 and 3010 for the period prior to December 15, 2008, and violations of FINRA Rule 2010 and NASD Rule 3010 for the period on and after December 15, 2008.
3. During the review period, the firm failed to enforce its written supervisory procedures which specified that all electronic correspondence, whether incoming or outgoing, would be reviewed on a daily basis. The conduct described in this paragraph constitutes violations of NASD Conduct Rules 2110 and 3010 for the period prior to December 15, 2008, and violations of FINRA Rule 2010 and NASD Rule 3010 for the period on and after December 15, 2008.
4. During the period of January 1, 2007 through February 26, 2008, the firm failed to ensure that the firm's Head Trader, AE, was reasonably carrying out his delegated supervisory responsibilities relating to: (1) proprietary trading; (2) trade reporting; (3) clock synchronization; (4) short sale compliance; (5) compliance with the Manning Rule; (6)

mark ups and mark downs; and, (7) compliance with inventory guidelines. The conduct described in this paragraph constitutes violations of NASD Conduct Rules 2110 and 3010.

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

A censure and a fine of \$75,000, and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph 1. Within 90 business days of notice of acceptance of this AWC, 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 this paragraph; and, (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) 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 it is unable to pay, now or at any time hereafter, the monetary sanction(s) 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 National Adjudicatory Council ("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

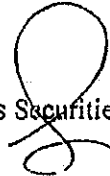
The firm understands that:

- 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 record;
 - 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: (i) testimonial obligations; or (ii) 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.

3/4/14
Date

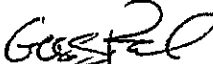
Respondent
Dawson James Securities, Inc.

By: 

Name: Thomas W. Hands
President

Title: _____

Reviewed by:


Attorney Name Gregg Breitbart
Counsel for Respondent
Firm Name Kaufman Dolowich & Voluck, LLP
Address 2255 Glades Road, Suite 300E
City/State/Zip Boca Raton, FL 33431
Phone Number (561) 910-5650

Accepted by FINRA:

4/4/14
Date

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


Tina Salehi Gubb
Chief Counsel
Department of Market Regulation