

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080128322-01**

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

RE: Institutional Securities Corporation, Respondent
Broker-Dealer
CRD No. 20291

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REGISTRATION & DISCLOSURE

Pursuant to NASD Rule 9216 of the FINRA Code of Procedure, Institutional Securities Corporation (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 became a member of the FINRA on September 4, 1987. The firm's registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has no disciplinary history.

SUMMARY

In connection with Market Regulation Review No. 20080128322, the staff of the Market Regulation Department reviewed the firm's compliance with Municipal Securities Rulemaking Board ("MSRB") rules applicable to trade reporting during the period October 1, 2007 through December 1, 2007 (the "review period").

FACTS AND VIOLATIVE CONDUCT

1. During the review period, the firm failed to report information regarding 65 purchase and sale transactions effected in municipal securities to the Real-time Transaction Reporting System ("RTRS") in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Users Manual. Specifically, the firm failed to report information about such transactions within 15 minutes of Time of Trade to an RTRS Portal. These late trade reports constituted 40.63% of the total number of trade reports in municipal securities that ISCN reported to the MSRB during the review period. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.
2. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and MSRB rules, concerning Reports of Sales and Purchases. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the individual who is responsible for supervision with respect to the applicable rules, (2) the supervisory steps and reviews to be taken by the appropriate supervisor; (3) the frequency of such reviews, and (4) the documentation that should evidence such reviews. The conduct described in this paragraph constitutes a violation of MSRB Rule G-27.

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

A censure and fine of \$12,500 (consisting of a fine of \$7,500 for violations of MSRB Rule G-14 and \$5,000 for violations of MSRB Rule G-27), and an undertaking to revise the firm's written supervisory procedures with respect to MSRB Rule G-14. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), 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, 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 herein; 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 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 NASD Rule 9143 or the separation of functions prohibitions of NASD 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 NASD 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 NASD 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 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 firm certifies that it 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.

09/17/2008
Date

Respondent
Institutional Securities Corporation
By: Scott A. Hayes
Name: SCOTT A. HAYES
Title: EVP

Reviewed by:

Accepted by FINRA:

9/30/08
Date

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

Thomas R. Gira
Thomas R. Gira
Executive Vice President
Department of Market Regulation



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INSTITUTIONAL SECURITIES CORPORATION
MARKET REGULATION

**INSTITUTIONAL SECURITIES CORPORATION
STATEMENT OF CORRECTIVE ACTION**

This statement of corrective action is submitted by Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

Institutional Securities Corporation ("ISC") has been a FINRA registered broker dealer since 1987 and has consistently conducted its business operations within the parameters of industry regulations and guidelines. In its over twenty years as a member and broker dealer, the firm has maintained a clean disciplinary history and more specifically, has had no trade reporting violations, either of the nature alleged in the proposed AWC or otherwise.

With respect to the reporting violations alleged, a substantial majority (81.5%) of the sixty five (65) trades reviewed and cited by the Staff were reported late because the security cusip involved was not maintained in the security master file with ISC's clearing firm. The time period required to set up the security after trade execution caused a delay in the reporting. ISC has recently instituted a new security set up procedure which has numerous verification points to ensure that securities are set up in the clearing firm's database prior to trade confirmation. It is ISC's belief that this new procedure will minimize if not eliminate the type of trade reporting issue identified by the Staff.

Further, ISC has already enhanced its written supervisory procedures to provide for more supervisory oversight with respect to MSRB G-14 and the firm feels confident that these new written procedures will work to complement its new operational procedures in order to prevent future trade reporting issues with respect to its limited municipal business.

SECURITIES OFFERED THROUGH INSTITUTIONAL SECURITIES CORPORATION, AFFILIATE OF ISC GROUP, INC.,
MEMBER FINRA/SIPC.

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