

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080132876-01**

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

RE: Francis T. Duffy, Respondent
Financial and Operations Principal
CRD No. 500206

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Francis T. Duffy ("Duffy" or "Respondent") 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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

Respondent was first registered with FINRA through former member firms as a Municipal Securities Financial and Operations Principal ("FM") in March 1981, as a Financial and Operations Principal ("FINOP") in October 1983, as a Government Securities Principal ("PG") in July 1987, as a General Securities Representative ("GSR") and General Securities Principal ("GSP") in January 2003, and as an Options Principal ("OP") in February 2003.

From February 25, 2003 until February 20, 2009, Respondent was registered through former member firm Granta Capital Group LLC (BD No. 114657) ("Granta" or "the firm"). From February 25, 2003, he was registered through Granta as a FINOP, GSR and GSP, and from February 27, 2003, he was also registered through Granta as an OP.

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Respondent is not currently registered, associated or employed with any member firm, but remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Respondent has no disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities regulator.

OVERVIEW

From approximately November 23, 2007 through at least July 16, 2008, Respondent failed to adequately ensure that Granta's ledgers and other records accurately reflected all liabilities associated with the firm's \$325,000 settlement of an arbitration claim. He also was responsible for the firm conducting a securities business while net capital deficient on three separate dates. Specifically, he failed to properly calculate the firm's net capital position in February and March 2008, contributing to two net capital deficiencies, and his failure to properly accrue for outstanding liabilities under the arbitration settlement, contributed to a third net capital deficiency in July 2008.

FACTS AND VIOLATIVE CONDUCT

1. From on or about November 23, 2007 until on or about July 16, 2008, Respondent failed to fully accrue on Granta's ledgers and other records a \$325,000 settlement of a customer arbitration claim against the firm as a liability. The settlement was effective on or about November 23, 2007. However, Respondent only accrued as liabilities amounts when due under a payment schedule to the settlement agreement, and at least prior to July 16, 2008, had not booked as a liability \$125,000 of the settlement that had not been paid. This conduct caused Granta's records to be inaccurate, in violation of Section 17 of the Securities Exchange Act of 1934, and Rule 17a-3 thereunder.
2. The conduct described in paragraph "1" above constituted a violation of FINRA Conduct Rules 3110 and 2110 by Respondent.
3. At all relevant times, pursuant to SEC Rule 15c3-1, Granta's minimum net capital requirement was the greater of \$100,000 or 6 2/3% of the firm's aggregate indebtedness. As a result of failing to properly and accurately track assets, liabilities and expenses, the firm, while conducting a securities business, and acting through Respondent, failed to maintain its minimum net capital requirement on each of the following dates:

- a. On Thursday, February 28, 2008, pursuant to SEC Rule 15c3-1, the firm's minimum net capital requirement was \$100,000. On that date, the firm had a net capital of approximately (\$194,801) and a net capital deficiency of approximately \$294,801.
 - b. On Friday, March 28, 2008, pursuant to SEC Rule 15c3-1, the firm's minimum net capital requirement was \$100,000. On that date, the firm had a net capital of approximately (\$224,127) and a net capital deficiency of approximately \$324,127.
 - c. On Thursday, July 10, 2008, pursuant to SEC Rule 15c3-1, the firm's minimum net capital requirement was \$100,000. On that date, the firm had a net capital of approximately (\$40,720) and a net capital deficiency of approximately \$140,720.
4. The February and March 2008 deficiencies were primarily attributable to Respondent incorrectly viewing funds from private placements deposited in an escrow account of a separate, but related company, as good capital at Granta before the funds were actually legally and physically available to Granta. While Respondent was aware of past delays in Granta's ability to access funds deposited in escrow, he did not take into account the possibility of delays when estimating the firm's net capital position and, during that time period, was only performing a month-end formal computation of net capital after requisite capital was actually infused.
 5. The July 2008 deficiency was primarily attributable to Respondent's failure to accrue as a liability \$125,000 that remained to be paid under the November 2007 settlement agreement.
 6. The conduct described in paragraphs "3" through "5" constituted separate and distinct violations of NASD Conduct Rule 2110 by Respondent.
- B. Respondent also consents to the imposition of the following sanctions:
- o A suspension from associating with any member firm in the capacity of a FINOP for ten (10) business days; and
 - o A fine of \$10,000.00.

The fine shall be due and payable either immediately upon Respondent's reassociation with a member firm, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent specifically and voluntarily waives any right to claim that he is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

Respondent understands that if he is suspended from associating with any FINRA member in a the capacity of a Financial and Operations Principal, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, he may not be associated with any FINRA member as a FINOP during the period of the suspension (see FINRA Rules 8310 and 8311). Furthermore, because he is subject to a statutory disqualification during the suspension, if he remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against him;
- 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, Respondent 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.

Respondent 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

Respondent 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 Respondent; and
- C. If accepted:
 - 1. This AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against him;
 - 2. This AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent'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. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he 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.

Respondent certifies that he has and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he 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 him to submit it.

12-01-2010
Date (mm/dd/yyyy)

Francis T. Duffy
Francis T. Duffy, Respondent

Accepted by FINRA:

December 13, 2010
Date

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

Gary A. Chodos
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