

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080136298-01

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

RE: Fidelity Brokerage Services LLC, Respondent
Broker-Dealer
CRD No. 7784

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Fidelity Brokerage Services LLC (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 January 15, 1979, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In 20080136298, the staff of the Fixed Income Section of the Department of Market Regulation reviewed the firm's compliance with its best execution obligations in connection with the purchase or sale of municipal securities during the period from January 1, 2008 through March 31, 2008.

In 20090181042, the staff of the Fixed Income Section of the Department of Market Regulation reviewed the firm's compliance with its best execution obligations in

connection with the purchase or sale of municipal securities during the period from October 1, 2008 through December 31, 2008.

FACTS AND VIOLATIVE CONDUCT

20080136298

1. During the period reviewed, in 16 transactions, the firm purchased municipal securities for its own account from a customer and/or sold municipal securities for its own account to a customer at an aggregate price (including any mark-down or mark-up) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the broker, dealer, or municipal securities dealer is entitled to a profit, and the total dollar amount of the transaction. The transactions are identified on Exhibit 1 which is attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rules G-17 and G-30(a).

20090181042

2. During the period reviewed, in seven transactions, the firm purchased municipal securities for its own account from a customer and/or sold municipal securities for its own account to a customer at an aggregate price (including any mark-down or mark-up) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the broker, dealer, or municipal securities dealer is entitled to a profit, and the total dollar amount of the transaction. The transactions are identified on Exhibit 2 which is attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rules G-17 and G-30(a).

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

- A censure; and
- a fine of \$65,000 (\$25,000 for the violations of MSRB Rules G-17 and G-30 in 20080136298 and \$40,000 for the violations of MSRB Rules G-17 and G-30 in 20090181042).

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.

I.

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 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 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.

10/9/12
Date

Respondent
Fidelity Brokerage Services LLC

By: [Signature]

Name: Norman L. Ashkenazy

Title: Senior VP, Chief Compliance Officer

Reviewed by:

[Signature]
Attorney Name
Counsel for Respondent
Firm Name -- Bingham McCutchen, LLP
Address -- 2020 K Street, N.W.
City/State/Zip -- Washington, DC 20006
Phone Number -- 202 373 6727

Accepted by FINRA:

11/6/12
Date

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

[Signature]
Thomas R. Gira
Executive Vice President
Department of Market Regulation

Fidelity Brokerage Services, LLC.
Matter No. 20080136298

Exhibit 1

Item No.	Date	CUSIP ID	Issue	Quantity	Contra*	Trade Time	Trade Price	Firm
1	1/22/2008	605343R95	MISSISSIPPI DEV BK SPL OBLIG CAP PROJS EQUIP PROG-SER A	10.00	C(B)	15:18:25	107.1485	FIBS
2	1/23/2008	605343R95	MISSISSIPPI DEV BK SPL OBLIG CAP PROJS EQUIP PROG-SER A	15.00	C(B)	9:12:12	107.08	FIBS
3	2/11/2008	605343R95	MISSISSIPPI DEV BK SPL OBLIG CAP PROJS EQUIP PROG-SER A	20.00	C(B)	7:51:39	105.052	FIBS
4	2/11/2008	605343R95	MISSISSIPPI DEV BK SPL OBLIG CAP PROJS EQUIP PROG-SER A	20.00	C(B)	7:52:55	105.052	FIBS
5	2/26/2008	59334DAC8	MIAMI-DADE CNTY FLA WTR SWR SER A	50.00	C(S)	14:28:39	92	FIBS
6	2/28/2008	46613PRE8	JEA FLA WTR SWR SYS REV SER C	20.00	C(S)	11:48:53	83	FIBS
7	2/28/2008	59334DAC8	MIAMI-DADE CNTY FLA WTR SWR SER A	40.00	C(S)	11:50:33	91	FIBS
8	2/28/2008	047870DA5	ATLANTA GA WTR WASTEWTR REV SER A	5.00	C(S)	15:25:00	90	FIBS
9	2/28/2008	05922KGT0	BALTIMORE MD PROJ REV REF-WASTEWTR PROJS-SER A	50.00	C(S)	11:38:46	92.9	FIBS
10	2/29/2008	114894GH5	BROWARD CNTY FLA ARPT SYS REV AMT-SER J-I	10.00	C(S)	14:25:04	90	FIBS
11	3/3/2008	235036FW5	DALLAS FORT WORTH TEX INTL JT-SER A-AMBAC	25.00	C(S)	7:46:43	86	FIBS
12	3/3/2008	413893CN6	HARRIS CNTY-HOUSTON TEX SPORTS REF-JR LIEN-SER B	10.00	C(S)	13:01:01	92	FIBS
13	3/6/2008	442348ZY7	HOUSTON TEX ARPT SYS REV AMT-SUB LIEN-SER B	5.00	C(S)	15:38:47	86	FIBS
14	3/11/2008	944314GD9	WAYNE CHARTER CNTY MICH ARPT AMT-DETROIT MET WAYNE CNTY-	70.00	C(S)	11:52:28	88.006	FIBS
15	3/11/2008	593493AV1	MIAMI FLA SPL REV CAP APPREC-REF	25.00	C(S)	13:39:00	59.8	FIBS
16	3/24/2008	842471AY0	SOUTHERN CALIF PUB PWR AUTH PROJ NO 1-SER A	25.00	C(S)	11:34:18	86.4	FIBS

* Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm.

Fidelity Brokerage Services, LLC ("FIBS")
Review Number: 20090181042

Exhibit 2

Item No.	Date	CUSIP ID	Issue	Quantity	Contra*	Trade Time	Trade Price	Firm
1	10/8/2008	341150MT4	FLORIDA ST DEPT TRANSN-RIGHT OF WAY	110	C(S)	14:50:32	86.65	FIBS
2	12/2/2008	576018AE5	MASSACHUSETTS ST TPK AUTH MET SR-SER A	5	C(S)	15:16:36	83.135	FIBS
3	12/18/2008	74514LTG2	PUERTO RICO COMWLTH REF-PUB IMPT-SER A	130	C(S)	11:28:34	91.528	FIBS
4	10/8/2008	64966GZA3	NEW YORK N Y SER E	100	C(B)	10:25:32	104.221	FIBS
5	10/9/2008	718849AQ5	PHOENIX ARIZ CIVIC IMPT CORP LIGHT RAIL PROJ	35	C(S)	17:07:00	93.75	FIBS
6	10/22/2008	57585JWP2	MASSACHUSETTS ST HEALTH EDL CAREGROUP ISSUE-SER A	100	C(S)	14:03:00	88.759	FIBS
7	12/4/2008	658196PH7	NORTH CAROLINA EASTN MUN PWR REF-SER B	100	C(S)	11:45:00	89.9	FIBS

* Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm.