

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008013715501**

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

RE: Richard Wayne Hill ("Hill")
Registered Representative
CRD# 2033806

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, 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 AND JURISDICTION

Hill has been in the securities industry and registered with Financial Industry Regulatory Authority ("FINRA") as a Series 7 General Securities Representative since July 1996. During that period, Hill was employed with Merrill Lynch Pierce Fenner & Smith, Incorporated from July 1996 to October 2002 and thereafter with Citigroup Global Markets Inc. ("Citigroup" or the "Firm") from October 2002 until the Firm terminated his employment on May 10, 2008.

Hill has not been employed in the securities industry since, May 10, 2008, but remains subject to FINRA's jurisdiction pursuant to FINRA By-law Article V, Section 4.

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RELEVANT DISCIPLINARY HISTORY

Hill has no previous formal disciplinary history.

OVERVIEW

During the period from June 2006 through March 2008, via Smith Barney's On-Line Bill Pay System, Hill misappropriated approximately \$350,000 of customer funds. Hill, using the online pay system, issued 16 checks totaling \$148,150 from the account of Customer A and 19 checks totaling \$331,300 from the account of Customer B to one of two separate corporate payees. Hill falsely represented to Customers A and B that he was purchasing race horses for them and converted approximately \$350,000 to his own use by arranging for the two corporate payees, upon the receipt of each of the customers' checks, to issue checks made payable to Hill for the same dollar amounts, less a small administrative fee. In addition, in September 2007, without his member firm employer's knowledge or consent, Hill settled a customer's complaint by using his personal funds to reimburse the customer following the customer's complaint that she had incurred investment losses in her account.

FACTS AND VIOLATIVE CONDUCT

Misappropriation of Customer Funds In Violation of NASD Rules 2330(a) and 2110.

During the period from June 2006 through March 2008, via Smith Barney's On-Line Bill Pay System, Hill issued 16 checks totaling \$148,150 from the account of Customer A and 19 checks totaling \$331,300 from the account of Customer B to one of two separate corporate payees.

Hill falsely represented to Customers A and B that he was purchasing race horses for them. Hill converted approximately \$350,000 of those funds to his own use by arranging for the two corporate payees to issue checks made payable to Hill for the same dollar amounts, less a small administrative fee.

By virtue of conduct, Hill violated NASD Conduct Rules 2110 and 2330(a). NASD Conduct Rule 2110 states that: "[a] member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade." NASD Conduct Rule 2330(a) states that "no member or person associated with a member shall make improper use of a customer's securities or funds."

**Settling a Securities-Related Customer Complaint without Notifying his
Employing NASD Member Firm, in Violation of NASD Conduct Rule 2110.**

On April 25, 2007, Customer C purchased 2,500 shares of the fund at \$20 per share for a total purchase price of \$50,000. By September 2007, Customer C had an unrealized loss in the fund of approximately \$11,225. Customer C complained directly to Hill, about the loss in her investment in the fund. In September 2007, Hill wired approximately \$12,000 from his personal bank account to the personal bank account of Customer C as a result of her complaint and did not inform his employer member firm about the customer complaint.

By virtue of settling a customer complaint away from his member employer, Hill violated NASD Conduct Rule 2110.

B. I also consent to the imposition of the following sanctions:

a Permanent Bar.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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, I specifically and voluntarily waive 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.

I further specifically and voluntarily waive 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

I understand 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 me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. I 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. I 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me to submit it.

4/25/09

Date

Accepted by FINRA:

5/13/2009

Date

Richard W. Hill

Richard Wayne Hill

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

Myles L. Orosco

Myles Orosco

Enforcement Director

FINRA Department of Enforcement

14 Wall Street, 14th Floor

NY, NY 10005

Telephone: 646-315-7383

Fax: 646-315-7425