

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080140194-01**

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

RE: Spartan Securities Group, LTD, Respondent
Broker-Dealer
CRD No. 104478

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Spartan Securities Group, LTD (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 July 25, 2001, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has no relevant disciplinary history.

FACTS AND VIOLATIVE CONDUCT

In connection with matter 20080140194, the staff conducted the 2008 TMMS Examination wherein the staff reviewed the items set forth on Exhibit 1, which is attached hereto and incorporated herein by reference, primarily for trade dates August 11 through August 15, 2008 (the "review period"). In the course of this review, the staff found:

1. During the review period, the firm failed, in four instances, to execute customer limit orders after it traded each subject security for its own market-making account at a price that would have satisfied each customer's limit order. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 2110 and IM-2110-2.
2. Additionally, in two instances during the review period, the firm accepted and held customer market orders, traded for its own account at prices that would have satisfied the customer market orders, and failed to immediately thereafter execute the customer market orders. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 2111(b).
3. During the review period, the firm executed 33 short sale orders and failed to properly mark the orders as short. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 200(g) of Regulation SHO.
4. During the review period, the firm, on eight occasions when it acted as principal for its own account, failed to provide written notification disclosing to its customer that it was a market maker in each such security. The firm also failed, on five occasions, to provide written notification disclosing to its customer that the transaction was executed at an average price. The firm also failed, on three occasions, to reflect accurate compensation. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
5. During the review period, the firm transmitted to OATS 14 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports failed in one instance to submit a route report, in two instances submitted an inaccurate Member Type Code, in one instance failed to submit an Execution Report, in one instance failed to submit a correct Combined Order Route Report, in seven instances submitted incorrect Member Type Codes for proprietary orders, in one instance submitted an incorrect order entry time, and in one instance failed to submit execution information. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).

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

A **censure** and a **fine of \$20,000** comprised of a fine of \$5,000 for violations of NASD Rules 2110, IM 2110-2 and 2111, a fine of \$7,500 for violations of SEC Regulation SHO Rule 200(g), a fine of \$2,500 for violations of SEC Rule 10b-10, and a fine of \$5,000 for violations of NASD Rule 6955(a).

Additionally, **restitution** by Respondent to the investor listed on Exhibit A which is attached, in the **total amount of \$50.00, plus interest** at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this AWC is accepted by the National Adjudicatory Council. A registered principal of the firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution, to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850 or in an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, no later than 120 days after acceptance of this AWC. If for any reason, Respondent cannot locate any customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer is known to have last resided.

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 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.

Date 5.5.10

By: 

Name: David Lopez

Title: CC 0

Attorney Name
Counsel for Respondent
Spartan Securities Group, LTD

6/28/10
Date

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

**Spartan Securities Inc ("MICA")
MRE Examination Review Samples
20080140194**

FINRA staff reviewed the following samples during the examination:

- Proprietary Sales ~The staff reviewed a total of seventy five (75) sell transactions for SEC Rule 200g. Additionally, the staff reviewed a total of 43 sell transactions for NASD Rule 6130 and 7 sell orders for NASDAQ Rule 4755 to determine if the firm reported the appropriate SS indicator.
- Riskless Principal and Non-Riskless Principal Transaction Reporting ~ Thirty-four (34) orders for trade date 08/11/2008 thru 08/15/2008 which resulted in the staff reviewing fifty trade reports, reviewed for compliance with NASD Rules 4632 and 6130 and (three) trade reports for NASDAQ Rule 4755.
- Order Handling Review – Two (2) market orders and thirty two (32) limit orders for trade dates 08/11/2008 thru 08/15/2008 reviewed for NASD Conduct Rules 2320, 3110 and 3010.
- Cancelled Trades – One (1) cancelled execution on trade dates 08/11/2008 thru 08/15/2008 reviewed for compliance with NASD Rules 3110 and 6130 and SEC Rule 17a-3.
- Customer Confirms- Thirty (30) confirms for trade date 08/11/2008 thru 08/15/2008 reviewed for compliance with SEC Rule 10b-10.
- Written Supervisory Procedures (Including Procedures Related to the Regular and Rigorous Assessment of the Quality of Executions Received on Orders Sent to Other Members, ATSS, or Exchanges) in effect September 2008 reviewed for compliance with NASD Rule 3010.
- Written Supervisory Procedures (Including Operational Procedures) in effect September 2008 reviewed for compliance with NASD Rule 3010 and SEC Regulations 610 and 611.
- Registration of Trading Area Personnel reviewed for compliance with NASD Rules 1021 and 1031.
- OATS Reportable Events – Thirty-three (33) orders on trade date 08/11/2008 thru 08/15/2008 for OATS reporting, reviewed for compliance with NASD Rule 6955.
- Firm's Overall Books and Records reviewed for compliance with NASD Rule 3110 and SEC Rules 17a-3 and 17a-4.

