

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080141706-01**

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

RE: Esposito Securities, LLC, Respondent
Broker-Dealer
CRD No. 143710

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Esposito Securities, 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 September 14, 2007, and its registration remains in effect. The firm has no disciplinary history.

SUMMARY

In connection with matter no. 20080141706, the Department of Market Regulation staff (the "staff") reviewed the firm's compliance with NASD Rules applicable to trade reporting in Consolidated Quotation System securities during the period from September 15, 2007 through December 31, 2007 (the "3T 2007 review period").

In connection with matter no. 20080141872, the staff reviewed the firm's compliance with NASD Rules applicable to trade reporting in Nasdaq National Market securities during the 3T 2007 review period.

20080141706 (incl. 20080141872 and 20090170336) (DB)

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In connection with matter no. 20090170336, the staff reviewed the firm's compliance with NASD Rules applicable to trade reporting in Consolidated Quotation System and Nasdaq National Market securities during the period from September 1, 2008 through December 31, 2008 (the "3T 2008 review period").

FACTS AND VIOLATIVE CONDUCT

In connection with matter no. 20080141706,

1. During the 3T 2007 review period, the firm transmitted to the FINRA/Nasdaq Trade Reporting Facility (the "FINRA/Nasdaq TRF") 189 last sale reports of transactions in designated securities and failed to designate through the FINRA/Nasdaq TRF such last sale reports as reflecting a price different from the current market when the execution was based on a prior reference point in time. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 4632(a)(5)(G).
2. During the 3T 2007 review period, the firm failed to make and keep current a memorandum of 28 brokerage orders that included the information specified in SEC Rule 17a-3(a)(6). The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Rule 3110.
3. During the 3T 2007 review period, 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 the Rules of NASD, concerning trade reporting. Specifically, the firm's supervisory system did not include written supervisory procedures providing for a statement of the supervisory step(s) to be taken by the person(s) responsible for supervision with respect to the applicable rules. The conduct described in this paragraph constitutes a violation of NASD Rules 2110 and 3010.

In connection with matter no. 20080141872,

4. During the 3T 2007 review period, the firm transmitted to the FINRA/Nasdaq TRF 126 last sale reports of transactions in designated securities and failed to designate through the FINRA/Nasdaq TRF such last sale reports as reflecting a price different from the current market when the execution was based on a prior reference point in time. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 4632(a)(5)(G).
5. During the 3T 2007 review period, the firm failed to make and keep current a memorandum of 13 brokerage orders that included the information specified in SEC Rule 17a-3(a)(6). The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Rule 3110.

In connection with matter no. 20090170336,

6. During the 3T 2008 review period, the firm transmitted to the FINRA/Nasdaq TRF 125 last sale reports of transactions in designated securities and failed to designate through the FINRA/Nasdaq TRF such last sale reports as reflecting a price different from the current market when the execution was based on a prior reference point in time. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 4632(a)(5)(G).¹
7. During the 3T 2008 review period, the firm failed to report to the FINRA/Nasdaq Trade Reporting Facility the correct time of execution for 18 transactions in Reportable Securities. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6130(d).²

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

A censure, a fine of \$20,000 (\$12,500 for the trade reporting violations, \$2,500 for the books and records violations, and \$5,000 for the supervisory violations), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph three. 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, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, 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 in paragraph three; 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.

¹ On December 15, 2008, NASD Rule 4632 became FINRA Rule 6380A.

² On December 15, 2008, NASD Rule 6130 became FINRA Rule 7230A.

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.

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.

8/25/10
Date

Respondent
Esposito Securities, LLC

By: [Signature]

Name: DANIEL J. SILVA

Title: CHIEF COMPLIANCE OFFICER

Reviewed by:

[Signature]
Richard G. Wallace
Counsel for Respondent
Foley & Lardner LLP
3000 K Street, N.W.
Washington, DC 20007
8/26/2010

Accepted by FINRA:

9/23/10
Date

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

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