

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO.20080147299-01**

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

RE: Sterne, Agee & Leach, Inc. Respondent
Broker-Dealer
CRD No. 791

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Sterne, Agee & Leach, Inc. ("SALI" or 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 1936, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has no relevant disciplinary history.

FACTS AND VIOLATIVE CONDUCT

In Market Regulation Review No. 20080147299, the Fixed Income and Offerings Investigations Section of the Department of Market Regulation conducted a review of the firm's compliance with NASD Rules 2320 and 2440 for the period April 1, 2008 through June 30, 2008.

1. During the review period, SALI failed to report to the Trade Reporting and Compliance Engine ("TRACE") 134 transactions in TRACE-eligible securities within 15 minutes of the time of execution. Specifically, SALI failed to report 134 transactions with customers in Alltel Corp. ("Alltel") bonds within 15 minutes of execution. SALI also failed to report to TRACE the correct time of execution for these 134 transactions. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 6230(a) and 6230(c)(8), and a pattern or practice of late reporting and inaccurate reporting without exceptional circumstances, in violation of NASD Rule 2110.
2. SALI failed to show the time of receipt and entry, and the correct time of execution, on the 134 memorandum of brokerage orders relating to the Alltel bond transactions described above. These inaccurate records gave the appearance that the trades were executed later than they were in fact executed. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3(6) and separate and distinct violations of NASD Rule 3110.
3. In 6 transactions for or with a customer, SALI failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 2320.
4. SALI failed to reasonably and properly supervise the activities of its associated persons so as to achieve compliance with applicable securities laws and regulations, and the rules of FINRA with respect to SEC Rule 17a-3(6) and NASD Rule 3110 (Recordkeeping); NASD Rule 6230 (TRACE); and NASD Rule 2440, IM-2440-1 and IM-2440-2 (Fair Pricing of Fixed Income Securities Transactions). Specifically, SALI failed to reasonably supervise the firm's recordkeeping of customer orders to ensure that the records reflected accurate times of order receipt, entry and execution. SALI also failed to reasonably supervise TRACE reporting to ensure that the execution times of customer orders were accurately and timely reported to TRACE within 15 minutes of execution.

In addition, SALI failed to reasonably supervise the fair pricing of customer transactions in corporate fixed income securities. In particular, SALI failed to adequately train and supervise a trading desk employee to ensure that the employee complied with the requirements of NASD Rule 2440 and IM-2440-1 and IM-2440-2 with respect to determining the prevailing market price of corporate fixed income securities. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 3010.

5. In addition, 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 FINRA concerning best execution of fixed income corporate securities transactions. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 3010.

B. The firm also consents to the imposition, at a maximum, of the following sanctions:

A censure and fine of \$125,000, consisting of:

\$40,000 for violations of NASD Rules 2110 and 6230(a) and (c)(8) (TRACE reporting);

\$20,000 for violations of SEC Rule 17a-3(6) and NASD Rule 3110 (Recordkeeping);

\$15,000 for violations of NASD Rule 2320 (Best Execution);

\$50,000 for violations of NASD Rules 2110 and 3010 (Supervision); and

an undertaking to revise the firm's written supervisory procedures with respect to the areas described in Paragraph I.A.5 above. 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 I.A.5; and, (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments 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.

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.

2/08/13
Date

Respondent
Sterne, Agee & Leach, Inc.

By: DB

Name: DAMON B. JOYNER

Title: CFO

Reviewed by:

E. H. Baird (G.P.)

Attorney Name

Counsel for Respondent

Firm Name

Address

City/State/Zip

Phone Number

Accepted by FINRA:

4/2/13
Date

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

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