

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080147326-01

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

RE: Merrill Lynch, Pierce, Fenner & Smith Incorporated, Respondent
Broker-Dealer
CRD No. 7691

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLCO" 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 became a member of FINRA in 1937, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

This matter is the result of a review conducted by the Fixed Income Investigations Team of the Department of Market Regulation of municipal bond transactions executed by firm during the period of April 1, 2008 through June 30, 2008 (the "review period").



FACTS AND VIOLATIVE CONDUCT

During the review period, in 12 transactions, the firm sold municipal securities for its own account to a customer at an aggregate price 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 A 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, a fine of \$17,500 and restitution by the firm to the customers listed on Exhibit A which is attached, in the total amount of \$7,425.35, 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 ("NAC"). 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.

March 30, 2012
Date

By: Terrence

Title: *MD*

5/18/12
Date

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

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLCO")

Review Number: 20080147326

Review Period: April 1, 2008 through June 30, 2008

Exhibit A

Item No.	Date	CUSIP ID	Issue	Quantity	Contra*	Trade Time	Trade Price	Firm	Proposed Restitution
6	6/10/2009	875231FT4	Tampa, FL Rev Hlth Sys 5%, 11/15/2028	15,000.00	C(S)	12:38:10	92.396	MLCO	\$620.10
15	6/26/2008	91412FZN0	University of California 4.5%, 5/15/2031	50,000.00	C(B)	11:30:24	95.05	MLCO	\$500.00
16	6/26/2008	91412FZN0	University of California 4.5%, 5/15/2031	100,000.00	C(B)	11:54:40	95.05	MLCO	\$1,000.00
17	6/26/2008	91412FZN0	University of California 4.5%, 5/15/2031	10,000.00	C(B)	12:21:24	95.05	MLCO	\$100.00
18	6/26/2008	91412FZN0	University of California 4.5%, 5/15/2031	25,000.00	C(B)	14:46:18	95.05	MLCO	\$250.00
19	6/26/2008	91412FZN0	University of California 4.5%, 5/15/2031	35,000.00	C(B)	14:47:29	95.05	MLCO	\$350.00
20	6/26/2008	91412FZN0	University of California 4.5%, 5/15/2031	50,000.00	C(B)	14:51:32	95.05	MLCO	\$500.00
23	5/23/2008	927781DL5	Virginia Coll Bldg Auth 3.5%, 9/1/2025	25,000.00	C(B)	14:25:04	93.096	MLCO	\$856.00
24	5/23/2008	927781DL5	Virginia Coll Bldg Auth 3.5%, 9/1/2025	25,000.00	C(B)	14:50:39	93.096	MLCO	\$856.00
25	5/28/2008	927781DL5	Virginia Coll Bldg Auth 3.5%, 9/1/2025	20,000.00	C(B)	14:18:38	92.863	MLCO	\$638.20
26	5/28/2008	927781DL5	Virginia Coll Bldg Auth 3.5%, 9/1/2025	25,000.00	C(B)	16:40:47	92.863	MLCO	\$797.75
27	5/29/2008	927781DL5	Virginia Coll Bldg Auth 3.5%, 9/1/2025	30,000.00	C(B)	15:57:29	92.863	MLCO	\$957.30
								Total:	\$ 7,425.35

* 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.