

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008015078603**

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

RE: Chase Investment Services Corp., Respondent
Broker-Dealer No. 25574

Chase Investment Services Corp., Respondent
BD No. 25574, as successor to WaMu Investments, Inc., BD No. 599

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Chase Investment Services Corp. ("CISC" 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 CISC 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

CISC has been a registered FINRA member since March 30, 1990. CISC is part of a global firm that provides investment banking, financial services for consumers, small business and commercial banking, financial transaction processing, asset management and private equity. Brokers with the firm predominantly work out of approximately 5,100 branch offices located within bank branches of its affiliated national bank, JP Morgan Chase Bank N.A.

WaMu Investments, Inc. (WaMu) (and its predecessor firm, WM Financial Services) was a FINRA member from 1982 until July 2009, at which time it merged with CISC. WaMu was affiliated with Washington Mutual Bank, which was a large savings and loan association. WaMu employed more than 1,500 registered representatives who predominantly worked out of more than 1,700 offices located within bank branches of Washington Mutual Bank.

WaMu's relevant disciplinary history includes the following: In an AWC dated July 23, 2009, FINRA fined the firm \$250,000 for, among other things, supervisory failures in connection

with the suitability of sales and exchanges into unit investment trusts (2005002244201). In an AWC dated December 16, 2008, FINRA fined the firm \$250,000 and ordered to offer to buy back certain securities for supervisory failures and advertising violations in connection with the sale and marketing of auction rate securities (2008013057401).

OVERVIEW

Between January 1, 2007 and December 31, 2008 (the "relevant period"), CISC solicited and sold Unit Investment Trusts ("UITs") to its customers. Two of the UITs CISC sold were inherently riskier than some other investment alternatives due to their underlying holdings. These two UITs were not suitable for customers who had little to no investment experience and a conservative risk tolerance. During the relevant period, CISC did not have a supervisory system in place that was reasonably designed to ensure that the firm's solicitations and sales of UITs were suitable for such customers. In addition, the firm did not provide adequate training to its brokers and personal bankers about UIT products. The firm also failed to provide adequate training and guidance to its principal reviewers as to certain UITs. In addition, CISC failed to reasonably ensure that all UIT transactions received principal review and approval. Largely as a result of these supervisory failures, the firm recommended the two riskier UITs to 257 unsophisticated customers with conservative risk tolerance without having reasonable grounds for believing that the UITs were suitable for these customers. These customers suffered losses in the amount of approximately \$1.435 million as a result of CISC's unsuitable recommendations. By virtue of the above conduct, CISC violated NASD Rules 3010, 2310, and 2110, and FINRA Rule 2010.

In addition, during the relevant period, CISC solicited and sold floating rate loan funds to customers. Floating rate loan funds are mutual funds that invest a substantial portion of their assets in secured senior loans, which are at times illiquid, and are extended by financial institutions to entities whose credit quality is generally unrated or rated below investment-grade. CISC made unsuitable recommendations to a number of customers to purchase floating rate loan funds by failing to properly take into account the investor's investment objectives, risk tolerance, and liquidity needs. These recommendations violated NASD Rules 2310 and 2110, and FINRA Rule 2010. CISC also failed to adequately implement its supervisory procedures with respect to its sales of floating rate loan funds, in violation of NASD Rules 3010 and 2110 and FINRA Rule 2010.

Finally, between January 2, 2007 and July 31, 2008, WaMu made unsuitable recommendations to a number of customers to purchase floating rate loan funds in violation of NASD Rules 2310 and 2110, and FINRA Rule 2010. WaMu also failed to make adequate determinations that the funds were suitable for certain customers in light of their investment objectives, risk tolerance, and liquidity needs, and did not have a supervisory system in place that was reasonably designed to ensure that the firm's solicitations and sales of floating rate funds were suitable for customers. WaMu thus violated NASD Rules 3010 and 2110. WaMu was acquired by and merged into CISC in July 2009.

FACTS AND VIOLATIVE CONDUCT

I. FACTS

UIT Sales by CISC

A. UITs in General

A UIT is an investment product that consists of a diversified basket of securities such as corporate bonds, municipal bonds or mortgage-backed securities, or equities. UITs are sold in different series based upon the mix of products that make up the basket and the suggested goal for the customer, and have a defined maturity date.

Investors pay an initial sales charge when purchasing a UIT, and then a reduced sales charge if the UIT is rolled over upon maturity. Under certain circumstances, investors may also pay a deferred sales charge if they sell the UIT before maturity. The broker receives a portion of the upfront sales charge paid by the investor. Similar to most securities, investors' principal is not protected when investing in a UIT, and the market value of a UIT fluctuates with the value of the underlying securities and, depending on the product, with changes in interest rates. While the UIT itself may not be considered a speculative product, they can include speculative investments such as high yield/below investment grade or "junk" bonds.

B. The Sale of UITs at CISC

Brokers at CISC were only permitted to sell UITs that were on the firm's approved list (the "Approved List"). The UITs CISC sold typically had maturity dates that ranged between approximately 15 months and 5 years. There were three UIT Sponsors on the Approved List during the relevant period. The UITs offered through First Trust Portfolios, L.P. ("First Trust") were by far the most common UITs sold by brokers at CISC. During the relevant period, 31,214 of the 44,467 UIT purchase transactions at CISC were of UITs offered by First Trust.

Of all the UITs sold by the firm during the relevant period, two First Trust products in particular, the First Trust Income Allocation UIT and the First Trust Strategic Income UIT¹ (jointly referred to as the "the Two First Trust UITs"), were riskier in nature because a large percentage of their assets was invested in closed-end funds containing a significant percentage of high yield or "junk" bonds. Closed-end funds, which are publicly traded, have a limited number of shares that are not normally redeemable for cash or securities until the fund liquidates, and new shares are rarely issued once the fund is launched. There were 3,582 purchases of the Two First Trust UITs during the relevant period, representing approximately \$141 million in investments that generated over \$2.8 million in selling concessions for the firm. Due to their composition, the Two First Trust UITs were not suitable investments for customers who had little or no investment experience and had a conservative risk tolerance.

¹ For purposes of this AWC, First Trust Strategic Income UIT includes only the First Trust Strategic Income Closed End Portfolio UIT, and not the First Trust Strategic Income Plus UIT or First Trust Strategic Income Advantage UIT.

C. Personal Bankers' Role in the Sales of UITs

The firm's bank affiliate branches employed personal bankers ("PBs"), who also were registered persons with the firm. PBs were allowed to solicit and sell a limited number of investment products, such as the firm's mutual funds, but the firm prohibited the PBs from discussing, soliciting or selling UITs to customers. Notwithstanding this prohibition, there were instances during the relevant period when PBs discussed, solicited, or recommended UITs to customers. PBs and brokers were also encouraged to utilize various marketing lists, including a "Maturing CD List," to locate customers and recommend that they visit the branch to discuss investment options, including UITs and floating rate loan funds. PBs earned "Production Value Credits," which were converted to cash and paid to the PB from CISC's bank affiliate for, among other things, opening checking accounts, providing customer loans and referring customers to brokers who then purchased securities products through the broker.

D. Training on UITs

CISC provided no formal training to brokers or PBs on either UITs generally or the UITs on the Approved List. Most information that brokers obtained about the UITs on the Approved List came directly from the UIT wholesalers and UIT Sponsors' websites. During the relevant period, some CISC branch managers and/or regional sales managers, on occasion, arranged for information meetings with UIT wholesalers. These information meetings typically were held at a regional office where a group of brokers from several branches in the region met together to hear about the product. Target customer base and suitability of the UITs were not discussed at these meetings.

In addition to information meetings, some brokers had one-on-one meetings or phone calls with UIT wholesalers about the UITs and relied upon the information they received from the wholesaler when soliciting or selling UITs to customers. CISC did not review or supervise these communications between brokers and UIT wholesalers.

E. Supervision of UIT Sales

1. Written Supervisory Procedures Relating to UIT Transactions

During 2007, CISC's only written supervisory procedures ("WSPs") specifically mentioning UIT transactions related to switch transactions for mutual funds and UITs. The WSPs specifically prohibited switching from one mutual fund or UIT to another within a short time frame. In addition, the WSPs provided some illustrations of inappropriate recommendations to customers that likely were unsuitable, such as a switch where there was no change in the customer's suitability information and a switch to "chase" performance.

In January 2008, the firm published additional written procedures specifically for UIT transactions and confirmed, among other things, that brokers should provide customers with a current prospectus and disclose the risks and fees of the UITs to the customer prior to order execution.

2. Principal Review and Approval of UIT Transactions

During the relevant period, CISC utilized a centralized Principal Review Desk ("PRD"), located in Columbus, Ohio, to review and approve securities transactions, including UIT and floating rate loan fund transactions. The firm did not provide PRD staff with formalized training about the features, risks or suitability of UITs, relying instead on on-the-job training and UIT Sponsor fact sheets and websites.

CISC's WSPs for PRD contained specific procedures relating to the review and approval of UITs. PRD was required to conduct a suitability review for UIT purchases. The WSPs specified that PRD staff should consider the client's investment objective as compared to the objective of the product being purchased, the client's risk tolerance as compared to the risk associated with the type of product being purchased, and other factors such as age and taxability. However, the firm's procedures did not provide specific guidance to the PRD staff as to how to properly assess certain UITs for risk and whether these products matched the customer's stated objectives and risk tolerance for suitability purposes.

In the event PRD staff noticed any discrepancies or had any concerns when reviewing a transaction, the PRD staff was to, among other things, send an inquiry to the broker asking for clarification or additional customer information. In addition, PRD was required to identify and review all switch transactions. Switch transactions were not permitted to be approved by PRD unless and until a signed "switch letter" by the customer was received. In the case of UITs, a "switch" was defined as "transactions that either sold a UIT held for less than 1 year using all or a portion of the proceeds to purchase another UIT or sold a UIT and using all or a portion of the proceeds to purchase a package product."

During the relevant period, there were two categories of UIT transactions that did not receive principal review and approval. The first category included all UIT transactions that were below \$5,000, unless they were otherwise flagged by one of the pre-determined exceptions that required review, such as missing suitability information, switch transactions, a product not on the Approved List, and specialty funds. These transactions appeared on the PRD blotter and the blotter was signed off on each day without any principal review of the transactions. During the relevant period, there were 8,903 UIT transactions for less than \$5,000 that did not receive principal review and were only approved by a sign-off on the blotter.

The second category of UIT transactions that did not receive principal review was referred to as "corporate action rollovers." "Corporate action rollovers" occurred when a UIT rollover transaction was placed close to the maturity date to ensure the customer would get the benefit of the reduced sales charge without a time delay causing it to be missed. These transactions were placed directly by the fixed income desk and, due to a system problem, never appeared on the blotter. As a result, they never filtered through PRD for review or approval. During the relevant period, there were 2,129 corporate action rollovers in UITs that did not receive principal review or approval.

F. CISC Removal And Return Of Closed-End Fund UITs From Its Approved List

In August 2007, as a result of an increase in sales, CISC conducted an internal review of the UITs on its Approved List that invested in closed-end funds. During this review, CISC found that there was an increase in the number of customer complaints involving allegations of sales practice violations with respect to the Two First Trust UITs, including unsuitable sales. Some of these customers were bank customers who had been invested in a CD or some other similar conservative investment and complained that they had informed their broker that they wanted to make another safe investment where their principal was protected, but instead were sold a UIT. As a consequence of that review, in September 2007, CISC removed all closed-end fund UITs, including the Two First Trust UITs, from the Approved List. The firm removed closed-end fund UITs from the Approved List for several reasons, including the amount of risk associated with high yield exposure, excessive leverage, significant volatility, lack of liquidity in underlying investments, lack of transparency, minimal training and education available to its registered persons, increase in customer complaints, and concern that the product was mistakenly being sold to customers as a conservative investment.

In November 2007, as a result of requests from its brokers, the firm returned to the Approved List three closed-end fund UITs, including the Two First Trust UITs, which had been removed from the Approved List in September 2007. Despite the results of its internal review in August 2007, the firm placed the three UITs back on the Approved List, subject only to the firm's Specialty Fund Policy, which provided for a percentage of a customer's account balance to be held in any fund on the Specialty Fund List based upon the customer's risk tolerance (Conservative: Up to 10%; Moderate – up to 20%; Aggressive – up to 30%).²

G. CISC Added UITs to the Approved List Without Following Its Procedures

During the relevant period, CISC had in effect a system and procedures for reviewing and approving new products and product enhancements.³ CISC's procedures mandated that prior to adding a product to the firm's Approved List, the firm was required to perform "[a]n in depth review of the product, including its key features, any relevant risk considerations, the target market and the customer suitability criteria that the product is intended to meet by a committee possessing the appropriate qualifications and expertise." These procedures also required that once a product was approved, the firm was to complete a post-launch review approximately six months after the product was launched to assess the product's performance and limitations, on-going training needs (if any), customer complaints specific to the new product launch, and suitability of the new product.

In October 2007, seven new UITs were presented for review and approval by the firm. The firm failed to follow its procedures in that a post-launch review was not timely performed as required by the procedures.

² In February 2009, the firm removed all UITs from its approved list effective as of June 1, 2009.

³ These particular procedures became effective at CISC on or about September 2006, which was after the First Trust UITs were initially added to the Firm's Approved List.

Floating Rate Fund Sales by CISC

H. Floating Rate Loan Funds in General

In general, floating rate loan funds⁴ are characterized by relatively low interest rate risk, but carry meaningful credit and liquidity risk. Floating rate loan funds generally invest in secured senior loans extended by financial institutions to entities whose credit quality is in many cases rated below investment-grade, or "junk." The interest rates on floating rate loans adjust by a pre-determined spread over a reference rate, such as the London Interbank Offered Rate (LIBOR). The interest rates on the loans are adjusted periodically, typically at 30, 60, or 90-day intervals.

Some floating rate loan funds only permit redemptions via scheduled repurchases by the fund during specified monthly or quarterly redemption windows. Typically, such funds offer to repurchase a certain percentage of their outstanding shares in a given redemption window. If the fund's investors try to redeem more shares than the fund offers to repurchase during a redemption window, the fund may repurchase customers' shares on a pro-rated basis.

I. CISC's Specialty and Sector Funds Policy for Floating Rate Loan Funds

During the relevant period, CISC's policies included a procedure to place limitations on its registered representatives' ability to recommend the purchase of overly-concentrated positions in floating rate funds. Floating rate loan funds were subject to the "Sector/Country/High Yield/Floating Rate" policy, also known as the "Specialty Funds Policy." Pursuant to the policy, PRD was responsible for reviewing all transactions to determine if the trade was in excess of a recommended percentage of assets based on the client's stated risk tolerance. For the majority of the relevant period, CISC's Specialty Fund Policy provided that investors with conservative risk tolerances should not hold more than 10% of their investable assets in floating rate or other high yield funds. The Specialty Funds Policy provided that a PRD Principal who detected a solicited trade outside of the guidelines should require the registered representative to cancel the trade, request a special waiver from the policy, or (during a portion of the relevant period) bring the trade within the firm's policy. In practice, when a solicited trade fell outside of the guidelines, the firm also allowed the trade if the registered representative obtained an executed Specialty Fund Form disclosure from the customer.

In some instances, PRD accepted a broker's update to the customer's suitability profile with respect to risk tolerance or investable assets without independently verifying with the customer that the revised information provided by the broker was accurate. In addition, PRD failed to follow up on some solicited trades that fell outside of the firms' percentage guidelines. During the relevant period, PRD reviewed trades in Specialty Funds manually using a physical printout generated by the firm's technology group.

⁴ Floating rate loan funds are also sometimes referred to as "bank-loan funds," "senior loan funds," or "leveraged loan funds."

Consequently, CISC allowed a number of unsuitable transactions in floating rate funds to occur, including some transactions where investors with conservative risk tolerances were sold positions in floating rate funds in excess of 10% of the customer's investable assets.

J. Sales of Floating Rate Funds at CISC

Certain customers who purchased floating rate funds were bank customers who had previously been invested in and/or were seeking a CD or some other similar conservative investment. Some of these customers informed their brokers that they wanted to make another safe investment where their principal was protected, but instead were sold a floating rate loan fund.

CISC provided no formal training to brokers about floating rate funds. In general, the information that brokers obtained about the floating rate funds CISC sold came directly from the funds' marketing materials. CISC did not otherwise provide guidance to brokers about the special features, credit risks, or liquidity risks of floating rate funds, or the customers for whom such funds would be suitable. As a result, some CISC brokers incorrectly believed that all floating rate loan funds, even those which only permitted monthly and quarterly redemption, were suitable for customers who were seeking a highly liquid investment or preservation of principal.

Floating Rate Fund Sales by WaMu

K. Sales of the Floating Rate Funds

WaMu primarily sold two floating rate funds between January 2, 2007 and July 31, 2008, the Van Kampen Senior Loan Fund and the Hartford Floating Rate Fund. Many of the sales were made to customers of WaMu's affiliated bank, some of whom opened new securities accounts with WaMu in order to invest in the floating rate funds. Some of these customers were referred to WaMu representatives by bank employees when the customers came into the bank branch to effect banking transactions, such as purchasing or renewing certificates of deposit. Others were solicited by phone by WaMu representatives using lists from the bank affiliate, such a large balance lists or maturing CD lists.

WaMu provided no formal training to brokers regarding the floating rate funds. The firm's registered representatives relied upon the information and materials they received from the funds when soliciting or selling the funds to customers.

During late 2007 and into 2008, the value of the floating rate funds began fluctuating significantly. As a result, in May 2008, WaMu imposed restrictions on the sales of such funds, requiring that sales be pre-approved by the trade review group.

L. Supervision of Floating Rate Fund Sales

WaMu utilized a centralized trade review group to review and approve securities transactions, including floating rate fund transactions. WaMu did not have any special review procedures for floating rate funds during most of the review period, instead reviewing them under the same procedures applicable to other mutual fund transactions. Pursuant to those procedures, firm principals were required to review mutual fund purchases to determine, among other things,

whether the investments were consistent with the customers' investment objectives and financial condition.

II. VIOLATIONS OF FINRA AND NASD RULES

UIT Sales by CISC

A. CISC Made 257 Unsuitable UIT Recommendations To Customers

The Two First Trust UITs were closed-end fund UITs that invested in a high percentage of high yield and junk bonds. They were not suitable investments for customers with a conservative risk tolerance and little or no investment experience.

During the relevant period, CISC recommended 257 unsuitable purchases of the Two First Trust UITs to customers with little or no investment experience and a conservative risk tolerance. At the time that CISC recommended these UIT transactions to these customers, the firm did not have reasonable grounds for believing that the recommendations were suitable for them. The 257 customers suffered losses in the total amount of approximately \$1.435 million as a result of these unsuitable transactions.

As a result of the foregoing, CISC made 257 unsuitable recommendations in violation of NASD Rules 2310 and 2110 and FINRA Rule 2010.

B. CISC Failed To Reasonably Supervise The Sales of UITs To Customers

1. CISC Failed To Adequately Train Its Registered Persons About UITs

During the relevant period, CISC provided no formal training to brokers or PBs regarding UITs generally or the UITs on the Approved List. As a result, the firm failed to adequately train its registered persons on the suitability requirements for the UITs that were on its Approved List.

2. CISC Failed to Reasonably Supervise The Sales Practices At The Branches

CISC required that an online Investment Account Application, which included the customer's profile information and other suitability factors, be completed for each new customer's brokerage account. The completed Application was signed by the customer. The brokers and PRD relied on the information in the Application for making suitability determinations. On occasion, licensed PBs completed the Application with the customer and opened the customer's brokerage account before referring the customer to the broker. The firm did not require the brokers to verify any of the information in the Application with the customer, and some brokers did not.⁵ As a result, in some instances, the customers' actual profiles did not match the information listed in their Application, which led to the approval of some unsuitable UIT transactions.

⁵ According to CISC's procedures, customers were supposed to receive a copy of the completed account application, with suitability information, at the time the account was opened and another copy in the mail with instructions to correct any inaccurate information.

3. CISC Failed To Provide Reasonable Guidance on Suitability

CISC's WSPs failed to provide PRD with reasonable guidance on how to determine whether certain UIT transactions were suitable. In particular, the firm's procedures did not provide guidance to the PRD staff as to how to properly assess UITs that owned a large percentage of closed-end funds for risk and whether the products matched the customer's stated objectives and risk tolerance.

There were several instances during the relevant period when PRD staff sent inquiries to brokers questioning the suitability of UIT transactions based upon the customers' risk tolerances or investment objectives. In each of these instances, PRD staff subsequently approved these transactions after the broker changed the customer's inconsistent risk tolerance or investment objective to be consistent with the suitability requirements of the UIT purchase, but in some cases nothing was done to verify with the customer that the revised profile information was accurate.

During the relevant period, the firm returned the Two First Trust UITs and one additional closed-end fund UIT to the firm's Approved List in November 2007, only eight weeks after those UITs had been removed from the Approved List due to concerns about those UITs and how they were being sold. Although the Specialty Fund designation placed limits on the purchase of these funds by prospective customers, the firm failed to provide its brokers with sufficient additional training, guidance or supervision to highlight the risks of the Two First Trust UITs.

4. CISC Failed To Reasonably Ensure That All UIT Transactions Received Principal Approval

During the relevant period, CISC failed to have a supervisory system adequate to reasonably ensure that all UIT transactions received principal approval. There were two categories of UIT transactions that did not receive principal review and approval.

First, UIT transactions that were below \$5,000 did not receive principal review unless they were otherwise flagged by one of the pre-determined exceptions that required review, such as missing suitability information, switch transactions, a product not on the Approved List, and specialty funds. These transactions appeared on the PRD blotter and the blotter was signed off on each day without any principal review of the transactions. "Corporate action rollovers" also did not receive principal review and approval during the relevant period. These UIT transactions were placed by the fixed income desk close to the maturity date. Due to a system error, the corporate action rollovers did not appear on the blotter and did not receive principal review and approval.

During the relevant period, there were 8,903 UIT transactions that were less than \$5,000 and 2,129 corporate rollover UIT transactions. The firm's failure to reasonably ensure principal review and approval of these UIT transactions led to 17 unsuitable purchases of the Two First Trust UITs below \$5,000 and 10 unsuitable corporate rollovers that never received principal review.

By virtue of the above supervisory failures, CISC violated NASD Rules 3010 and 2110 and FINRA Rule 2010.

C. CISC Failed To Implement Its System and Procedures For Product Approval

During the relevant period, the firm failed to comply with its procedures that required a post-launch review of a product to be completed approximately six months after the product had been approved and launched. In October 2007, seven new UITs were presented for review and approval by the firm. The firm failed to follow its procedures in that the post-launch follow up review of the seven UITs that were approved in October 2007 did not occur until July 2008, approximately ten months after the products were approved and launched.

By virtue of the above, CISC violated NASD Rules 3010 and 2110 and FINRA Rule 2010.

Floating Rate Fund Sales by CISC

D. CISC Made Unsuitable Floating Rate Fund Recommendations to Customers

The floating rate loan funds sold by CISC were subject to significant credit and liquidity risks. Accordingly, concentrated positions in the funds were not suitable for certain investors with conservative risk tolerances. The funds were also not suitable for certain investors seeking preservation of principal, and funds with restrictive redemption policies were not suitable for investors seeking liquidity. Despite these features of floating rate funds, CISC registered representatives made recommendations for the purchase of floating rate funds to certain customers who had conservative risk tolerances and/or were seeking preservation of principal. These customers suffered losses in the total amount of approximately \$736,167 as a result of these unsuitable transactions.⁶

When CISC recommended these transactions, it did not have reasonable grounds for believing that the recommendations were suitable for the customers. Accordingly, CISC made unsuitable recommendations in violation of NASD Rules 2310 and 2110 and FINRA Rule 2010.

E. CISC Failed to Reasonably Supervise the Sale of Floating Rate Funds to Customers

1. CISC Failed to Adequately Train Its Registered Persons About Floating Rate Funds

As described above, CISC provided no formal training to brokers regarding floating rate funds. The firm failed to adequately train its registered persons on the credit and liquidity risks associated with floating rate funds, or the customers for whom such funds would be suitable.

2. CISC Failed to Adequately Implement its Specialty Funds Policy

During the relevant period, the firm's procedures required it to review all sales of floating

⁶ To date, CISC has compensated customers for approximately \$352,708 of this amount.

rate funds to determine if the trade was in excess of the recommended percentage of assets based on the client's stated risk tolerance. When a conservative investor's purchase constituted more than 10% of their investable assets, the firm's policy required it to cancel the trade, request a special waiver from the policy, bring the trade within the firm's guidelines, or in practice, to obtain a Specialty Fund Form executed by the customer. The firm failed to consistently follow these procedures. In some instances, the firm accepted the broker's representations that the customer's risk tolerance or investable assets were different than what was indicated on the customers' signed account form without verification or follow up. In other instances, the firm processed solicited trades that exceeded the recommended percentage of assets without additional review.

CISC therefore failed to reasonably supervise sales of floating rate funds to customers. CISC thus violated NASD Rules 3010 and 2110 and FINRA Rule 2010.

Floating Rate Fund Sales by WaMu

F. WaMu Made Unsuitable Recommendations to Customers

WaMu made unsuitable recommendations to certain customers to purchase the floating rate funds without reasonable grounds for believing that the recommendations were suitable for these customers. These customers suffered losses in the total amount of approximately \$180,000 as a result of these unsuitable transactions.⁷

As a result of the foregoing, WaMu made unsuitable recommendations in violation of NASD Rules 2310 and 2110.

G. WaMu Failed To Reasonably Supervise the Sales of Floating Rate Funds to Customers

As described above, WaMu provided no formal training to brokers regarding floating rate funds. The firm failed to adequately train its registered persons on the credit and liquidity risks associated with floating rate funds, or the customers for whom such funds would be suitable. Certain of the customers who invested in the floating rate funds had low risk tolerances, conservative objectives, and/or limited investment experience. Although floating rate funds were unsuitable for those customers, the firm also failed to adequately review floating rate fund sales to ensure that they were suitable for the customers in light of their investment objectives, risk tolerances, liquidity needs, and financial conditions.

As a result of the foregoing, WaMu failed reasonably to supervise sales of floating rate funds to customers, in violation of NASD Rules 3010 and 2110.

⁷ WaMu compensated customers for approximately \$79,000 of this amount.

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

1. a censure;
2. a fine in the amount of \$1.7 million; and
3. the payment of restitution to the customers listed on the attached Exhibit A in the amount of approximately \$1.92 million.

A registered principal on behalf of Respondent firm shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to Melanie Hilley, Senior Counsel, FINRA, Department of Enforcement, 1801 K Street NW, Suite 800, Washington DC 20006 either by letter that identifies the Respondent and the case number or by e-mail from a work-related account of the registered principal of Respondent firm to EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 120 days after acceptance of the AWC.

If for any reason Respondent cannot locate any customer identified in Attachment A after reasonable and documented efforts within 120 days from the date the AWC is accepted, or such additional period agreed to by a FINRA staff member in writing, 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 last known to have resided. Respondent shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of forwarding the undistributed restitution and interest to the appropriate state authority.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

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. The firm has submitted an Election of Payment form showing the method by which the firm proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that the firm 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 National Adjudicatory Council ("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 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

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

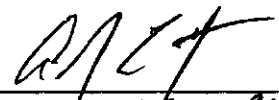
4. the firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding 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.

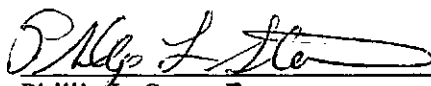
The firm certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

10/06/2011
Date

Chase Investment Services Corp.

By: 
Name: ALAN CHARNEY
Title: CEO, CISC

Reviewed by:


Phillip L. Stern, Esq.
Counsel for Respondent
Neal, Gerber & Eisenberg LLP
2 N. LaSalle Street, Suite 1700
Chicago, IL 60602-3801
(312) 269-8488

Accepted by FINRA:

11/15/11
Date

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

A handwritten signature in black ink, appearing to read "Samuel L. Israel", written over a horizontal line.

Samuel L. Israel
Associate Vice President and Chief Counsel
FINRA Department of Enforcement
1801 K Street N.W., Suite 800
Washington, D.C. 20006-1334