

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009016226801**

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

RE: J. Alden Associates, Inc., Respondent
Member Firm
CRD No. 40002

Peter A. Engelbach, Respondent
General Securities Principal and
General Securities Representative
CRD No. 201177

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents submit 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 us alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents hereby accept and consent, 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

Since May 1996, J. Alden Associates, Inc. ("Firm") has been a member of FINRA. The Firm conducts a general securities business and has one registered branch office and employs about twenty-one registered persons. It is also registered with the Municipal Securities Rulemaking Board ("MSRB"). The Firm has no FINRA disciplinary history.

In August 1984, Peter A. Engelbach ("Engelbach") first became registered with FINRA as a General Securities Representative. Since May 1996, Engelbach has been registered in this capacity and as a General Securities Principal among other

principal capacities through the Firm. Engelbach is the Firm's President and Chief Executive Officer ("CEO"). He has no FINRA disciplinary history.

OVERVIEW

The Firm failed to develop and enforce reasonably-designed supervisory procedures for the review of electronic correspondence. The Firm, acting through Engelbach, also failed to establish, maintain and enforce a reasonably-designed system of supervisory control policies and procedures. In addition, the Firm, acting through Engelbach, failed to implement policies and procedures reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder. The Firm's conduct violated NASD Conduct Rules 3010, 3011, 3012, 3013 and 2110 and IM-3013, FINRA Rules 3130 and 2010, and MSRB Rules G-27 and G-41. Engelbach's conduct violated NASD Conduct Rules 3011, 3012, 3013 and 2110, IM-3013, FINRA Rules 2010 and 3130, and MSRB Rule G-27.

FACTS AND VIOLATIVE CONDUCT

Failure to Develop and Enforce Procedures For the Review of Electronic Correspondence

From June 13, 2006 to September 7, 2009 (the "relevant period"), the Firm failed to develop and enforce written procedures reasonably designed to achieve compliance with NASD Conduct Rule 3010(d)(2) regarding the review of electronic correspondence. For example, although the Firm had certain relevant procedures in place, it did not have a satisfactory system for providing designated principals with access to such correspondence for review. Instead, the Firm relied on registered representatives to print and forward any e-mails involving customers to the Firm. The Firm, however, did not have effective procedures to monitor the compliance of its representatives with the e-mail forwarding requirement.

By failing to develop and enforce reasonably-designed written procedures for the review of electronic correspondence, the Firm violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 3010, FINRA Rule 2010 (for conduct after December 14, 2008), and MSRB Rule G-27.

Deficient Supervisory Controls

During the relevant period, the Firm, acting through Engelbach, failed to establish, maintain and enforce an adequate system of supervisory control policies and procedures that (a) tested and verified that its supervisory procedures were reasonably designed with respect to the activities of the Firm and its registered representatives and associated persons to achieve compliance with applicable securities laws and regulations and (b) created additional or amended supervisory

procedures where the need was identified by such testing and verification. Specifically, the firm's supervisory control policies and procedures failed to address the requirements listed below:

- Testing and verification to ensure reasonably-designed supervisory procedures;
- Updating the firm's written supervisory procedures to address deficiencies noted during testing;
- Identifying producing managers and creating adequate control procedures for the supervision of producing managers;
- Supervising producing managers;
- Using the "limited size and resources" exception for producing managers, including documenting the factors relied on in determining that the exception is necessary;
- Timely filing its limited size and resource exception for 2007;
- Reviewing and monitoring all transmittal of customer funds and securities;
- Reviewing, monitoring and validating customer changes of address and customer changes of investment objectives;
- Establishing control procedures for the identification or supervision of producing managers subject to heightened supervision; and
- Submitting an annual report to senior management detailing the firms' system of supervisory controls, test results or recommendations.

During the relevant period, the Firm, acting through Engelbach, failed to prepare an annual certification from its CEO (or equivalent officer) that it had in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with applicable FINRA rules, MSRB rules and federal securities laws and regulations, and that the CEO had conducted one or more meetings with the Firm's Chief Compliance Officer in the preceding twelve months to discuss such processes.

By failing to establish, maintain and enforce a reasonably-designed system of supervisory control policies and procedures and failing to prepare proper annual CEO certifications, the Firm and Engelbach violated NASD Conduct Rules 2110, 3012 and 3013, IM-3013 (both NASD rules and IM-3013 are charged for conduct before December 15, 2008), FINRA Rules 3130 and 2010 (both FINRA rules are charged for conduct after December 14, 2008), and MSRB Rule G-27.

Failure to Ensure Compliance with Bank Secrecy Act

NASD Conduct Rule 3011 (now FINRA Rule 3310) requires member firms to develop and implement a written anti-money laundering program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act, 31 U.S.C. §5311, *et seq.*, and the regulations promulgated

thereunder.

Consistent with AML requirements requiring the implementation of a Customer Identification Program ("CIP"), the Firm's written AML compliance procedures required that it verify the identity of natural persons who were opening accounts with the firm "through documentary evidence, non-documentary evidence, or both." Nevertheless, during the relevant period, the Firm, acting through Engelbach, failed to implement this AML procedure in that it did not verify customer identities for 14 accounts opened with the Firm.

During the relevant period, the Firm, acting through Engelbach, also failed to ensure compliance with the Bank Secrecy Act by failing to enforce its procedures requiring the Firm to review all 87 Section 314(a) requests that it received from the Financial Crimes Enforcement Network (FinCEN) during this period.¹

By failing to review 314(a) requests and implement the Firm's CIP, the Firm and Engelbach violated NASD Conduct Rule 2110 (for conduct before December 15, 2008) and 3011(b) and FINRA Rule 2010 (for conduct after December 14, 2008), and the Firm also violated MSRB Rule G-41.

B. Respondents also consent to the imposition of the following sanctions:

- a censure;
- a fine of \$5,000 against the Firm (\$2,500 of which pertains to the violations of MSRB Rule G-27); and
- a joint-and-several fine of \$10,000 against the Firm and Engelbach (\$5,000 of which pertains to the violations of MSRB Rules G-41 and G-27).

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. They have each submitted an Election of Payment form showing the method by which they propose to pay the fines imposed.

¹ Section 314(a) of the U.S.A. PATRIOT ACT of 2001 authorizes law enforcement to establish a mechanism to communicate with financial institutions to request information about suspected money laundering and terrorist financing. On September 26, 2002, the final rule implementing Section 314 became effective and is now part of the Treasury Department's Bank Secrecy Act regulations. Among other things, the final rules established a process through which law enforcement can communicate with broker-dealers to request information regarding those suspected of engaging in money laundering or terrorist activities so that any accounts or transactions involving these individuals or entities can be promptly located. On November 4, 2002, FinCEN began issuing information requests under this new authority.

Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against us;
- 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, Respondents specifically and voluntarily waive 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.

Respondents 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

Respondents understand 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 Respondents;
- C. If accepted:
 - 1. this AWC will become part of the Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against them;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about their 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. Respondents 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. Respondents 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 Respondents' right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and
- D. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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 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.

Engelbach certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he 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 him to submit it.

11/23/11
Date (mm/dd/yyyy)

11/23/11
Date (mm/dd/yyyy)

J. Alden & Associates, Inc.

By: 
Peter A. Engelbach
President


Peter A. Engelbach
Respondent

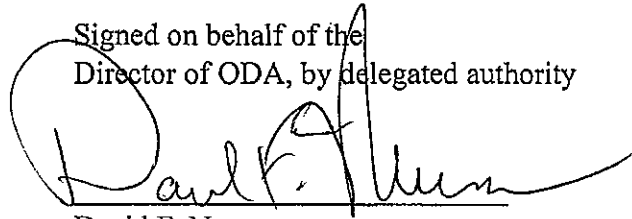
Reviewed by:


Marc Durant, Esq.
Counsel for Respondents
Durant & Durant LLP
325 Chestnut Street
Suite 116
Philadelphia, PA 19016-2611
(215) 592-1818

Accepted by FINRA:

January 12, 2012
Date

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

A handwritten signature in black ink, appearing to read "David F. Newman", written over a horizontal line.

David F. Newman
Senior Regional Counsel
FINRA Department of Enforcement
1835 Market Street
Philadelphia, PA 19103
(215)963-2608; Fax (215)496-0434

FINANCIAL INDUSTRY REGULATORY AUTHORITY
CORRECTIVE ACTION STATEMENT OF RESPONDENTS
J. ALDEN ASSOCIATES, INC., AND PETER A. ENGELBACH

This Corrective Action Statement is submitted by the Respondents. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff. Without admitting or denying the alleged rule violations, Respondents respectfully note that they have taken the following corrective actions since FINRA's 2009 examination of J. Alden & Associates, Inc. ("J. Alden").

**Procedures for the
Review of Electronic Correspondence**

Concerning a satisfactory system for providing designated principals with access for the review of electronic correspondence, prior to the 2009 examination, J. Alden utilized an "honor system" whereby any registered representative who sent or received any email through a personal address was required to forward it to J. Alden compliance to be archived. In response to the 2009 examination, registered representatives are not permitted to use any email address other than j-alden.com for business purposes, and all j-alden.com emails are now archived. Registered representatives are now required to sign an annual certification that they do not use personal email accounts for business. The Firm has also implemented a more robust e-mail supervisory procedure and archiving system which monitors and archives all J. Alden email.

Supervisory Controls

Concerning establishing, maintaining and enforcing an adequate system of supervisory control policies and procedures that test and verify that supervisory procedures are reasonably designed to achieve compliance with applicable securities laws and regulations, and creating additional and amended supervisory procedures where needed when identified by such testing and verification, Respondents have initiated the following corrective steps.

Peter Engelbach, the only managing principal at J. Alden Associates, has made changes to J. Alden's written supervisory procedures ("WSP") in accordance with and pursuant to the examination. Mr. Engelbach continues to make contemporaneous changes to the WSP as they become known to him by FINRA audits and from FINRA's weekly Notice to Members. Such changes are now always documented and tested annually. Additionally, to ensure that the WSP is up to date, J. Alden has implemented a policy whereby Peter Engelbach conducts frequent update reviews and signs periodic update reports regarding the firm's system of supervisory controls, test results and recommendations.

In response to the examination, Peter Engelbach now personally reviews, monitors and initials all customer addresses and modified investment objectives as they are inputted into J. Alden's system, and has created and implemented a series of control procedures for the identification and supervision of producing managers that are subject to heightened supervision.

Peter Engelbach, as the sole C.E.O. and manager of the firm, now annually executes the C.E.O. certification.

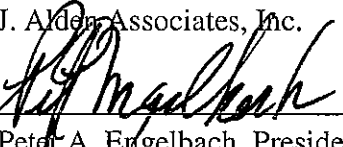
Compliance with Bank Secrecy Act

Regarding developing and implementing a written anti-money laundering program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act and the regulations promulgated thereunder, since the examination Mr. Engelbach in addition to monitoring the transmittals also records that activity by initialing all of the transmittal sheets and triple dating the transmittal entries with the date the check was received, the date it was sent to the clearing firm, and the date that the transmittal form was created. As a practice, the firm has always transmitted the funds the same day that they are received.

Further, J. Alden has implemented policies that require driver's license numbers for all new accounts. Since 2009 Mr. Engelbach has reviewed and documented his review of the FinCEN web site for each new account, and he no longer relies on his clearinghouse to perform such checks.

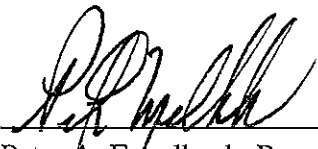
J. Alden Associates, Inc.

By:


Peter A. Engelbach, President

Dated:

12/1/11


Peter A. Engelbach, Respondent

Dated:

12/1/11