

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009016353501**

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

RE: AOS, Inc., Respondent
FINRA Registered Firm
CRD No. 128605

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, AOS Inc. ("AOS") 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 it alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. AOS 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

AOS has been a member of FINRA since March 3, 2004. The firm's primary business is to offer on-line trading for individuals and the preponderance of the orders are self-directed. The firm does not engage in proprietary trading. The firm employs approximately 23 registered representatives.

OVERVIEW

In April 2009, AOS entered into a trading agreement with a European broker-dealer. Customers of the European broker-dealer opened AOS accounts. These customers were assessed large upfront service charges for options transactions that allowed them to execute closing transactions or exercise the positions with no additional charges. AOS caused the accounts to be transferred to another broker/dealer before the customers could avail themselves of the services they paid for in advance. Consequently, the securities transactions for the foreign

transactions for the foreign customers resulted in excessive charges. Based on the foregoing, AOS violated NASD Rule 2440 and FINRA Rule 2010.

AOS's written supervisory procedures (WSPs) in effect during the time period of April 1, 2009 through June 2, 2009 were inadequate. These WSPs stated that AOS would not conduct any special review of commission activity in accounts where a third party had trading authority. Based on the foregoing, AOS violated NASD Rule 3010(b) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Excessive Options Commissions

In April 2009, AOS entered into a trading agreement with a Swiss broker-dealer, "M&G." The owner of M&G, "ZK," had his customers (all of whom were European citizens) open fully disclosed accounts with AOS where ZK had discretionary trading authority. ZK negotiated a special compensation structure with AOS for option and equity transactions. Under the agreement, each options contract purchase initiated by ZK resulted in a \$65 charge, \$5 of which was retained by AOS and the remaining \$60 was remitted to ZK. This \$65 charge also covered all closing transactions, including exercises.

From April 23, 2009 through June 2, 2009, AOS allowed ZK to execute 108 options transactions and applied the \$65 charge. All of the option positions had long expiration dates (between two-and-a-half and three years). All of these options were exchange-listed and highly liquid, and did not require significant special knowledge or effort to execute.

Approximately three months after AOS entered into the trading agreement with ZK, AOS terminated its relationship with ZK. AOS informed the customers that ZK would no longer be able to exercise discretion in their accounts. All of these customers transferred their accounts to another firm. These customers were not able to avail themselves of the full services they paid AOS for upfront because their accounts were transferred to another firm long before their positions expired.

Based on the above, AOS' service charges were greater than the amount warranted by market conditions, the cost of executing the transactions, the value of services rendered to the customers by AOS, and other pertinent factors. The total overcharges were \$41,593.23. A list of the transactions is attached hereto as Attachment A. By charging excessive options service charges, AOS violated FINRA Rules 2440 and 2010.

Inadequate Written Supervisory Procedures

Between April 1, 2009 and June 2, 2009, AOS' WSPs stated that "no special review" was performed of "commission activity" in accounts with third party trading authorization. NASD Rule 3010 requires firms to establish, maintain and enforce written procedures to supervise the types of business in which it engages to achieve compliance with applicable securities laws and regulations, and with the applicable rules of NASD. By maintaining a written procedure that abdicated responsibility to review commission charges or in customer accounts where a third party had trading authority, AOS failed to ensure compliance with all applicable rules including NASD Rule 2440. Consequently, AOS violated NASD Rule 3010(b) and FINRA Rule 2010.

B. AOS also consents to the imposition of the following sanctions:

1. Censure;
2. A fine of \$15,000; and
3. Restitution in the amount of \$41,593.23 (plus interest) to the affected customers.

AOS agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. AOS have submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

AOS specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

Restitution is ordered to be paid to the customers whose account numbers are listed on Attachment A hereto in the total amount of \$41,593.23, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from June 2, 2009, until the date this AWC is accepted by the NAC.

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:

UnBo Chung, FINRA Senior Regional Counsel
55 West Monroe Street, Suite 2700, Chicago, IL 60603

either by letter that identifies the FINRA case number (2009016353) 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.

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

II.

WAIVER OF PROCEDURAL RIGHTS

AOS specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against it;
- 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, AOS 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.

AOS 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

AOS understands that:

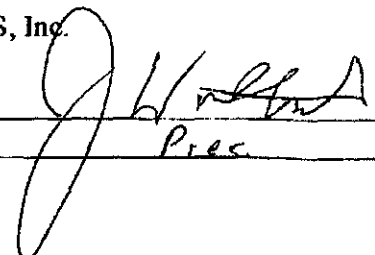
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against it; and
- C. If accepted:
 - 1. this AWC will become part of AOS' permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about AOS' 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. AOS 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. AOS 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 AOS' right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. AOS may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. AOS 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 I have 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.

11/7/11
Date

AOS, Inc.

By: 

Its: Pres

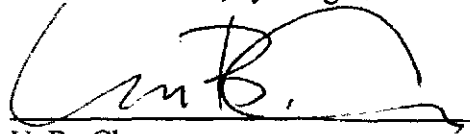
Reviewed by:

Attorney Name (if any)
Counsel for Respondent
Firm Name
Address
City/State/Zip
Phone Number

Accepted by FINRA:

11.17.11
Date

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



UnBo Chung
FINRA Senior Regional Counsel
55 West Monroe Street
Suite 2700
Chicago, IL 60603
(312) 899-4641
FAX (312) 899-4600
unbo.chung@FINRA.org

EXHIBIT A

Account Number	Trade Date	Refund Amount	Total
	4/23/2009	\$125.00	
	4/23/2009	\$390.62	
	4/23/2009	\$274.50	
	4/23/2009 Total		\$790.12
	6/3/2009	\$548.05	
	6/3/2009 Total		\$548.05
	4/23/2009	\$100.00	
	4/23/2009 Total		\$100.00
	4/24/2009	\$640.00	
	4/24/2009	\$757.50	
	4/24/2009	\$490.00	
	4/24/2009	\$102.50	
	4/24/2009 Total		\$1,990.00
	4/23/2009	\$100.00	
	4/23/2009 Total		\$100.00
	4/24/2009	\$800.00	
	4/24/2009	\$505.00	
	4/24/2009	\$485.50	
	6/2/2009	\$123.50	
	4/24/2009 Total		\$1,894.00
	6/3/2009	\$110.00	
	6/3/2009	\$200.00	
	6/3/2009	\$412.50	
	6/3/2009 Total		\$722.50

EXHIBIT A

Account Number	Trade Date	Refund Amount	Total
	4/29/2009	\$322.50	
	4/29/2009	\$131.00	
	4/29/2009	\$610.00	
	4/29/2009 Total		\$1,063.50
	5/4/2009	\$480.00	
	5/4/2009	\$232.50	
	5/4/2009	\$310.00	
	5/4/2009	\$207.00	
	5/4/2009 Total		\$1,229.50
	6/3/2009	\$275.00	
	6/3/2009	\$311.25	
	6/3/2009 Total		\$586.25
	4/23/2009	\$62.50	
	4/23/2009 Total		\$62.50
	4/24/2009	\$343.75	
	4/24/2009	\$252.50	
	4/24/2009 Total		\$596.25
	6/3/2009	\$187.25	
	6/3/2009 Total		\$187.25

EXHIBIT A

[illegible]

EXHIBIT A

Account Number	Trade Date	Refund Amount	Total
	5/27/2009	\$537.00	
	5/27/2009 Total		\$537.00
	6/2/2009	\$250.25	
	6/2/2009	\$640.00	
	6/2/2009	\$505.00	
	6/2/2009 Total		\$1,395.25
	5/27/2009	\$196.00	
	5/27/2009 Total		\$196.00
	5/27/2009	\$56.50	
	5/27/2009	\$425.00	
	5/27/2009	\$179.00	
	5/27/2009 Total		\$660.50
	6/2/2009	\$625.00	
	6/2/2009	\$210.00	
	6/2/2009	\$384.00	
	6/2/2009	\$497.50	
	6/2/2009 Total		\$1,716.50
	Grand Total	\$41,593.23	\$41,593.23