

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009016405902**

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

RE: Prestige Financial Center, Inc., Respondent
Member Firm
BD No. 30407

Lawrence Gary Kirshbaum, Respondent
General Securities Principal, Financial and Operations Principal, Municipal Securities
Principal, Government Securities Principal and General Securities Representative
CRD No. 270856

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. We 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

Prestige Financial Center, Inc. ("Prestige") has been a member of FINRA since April 28, 1992. Prestige's main office is located in New York, New York and it currently has only one registered representative. The firm has been suspended since October 21, 2010, for failure to pay arbitration fees. Until November 2010, Prestige had an Office of Supervisory Jurisdiction that employed approximately 85 registered representatives. Prestige's primary business consisted of a general securities business, including some municipal securities transactions.

On August 14, 1978, Lawrence Gary Kirshbaum ("Kirshbaum") first became registered with FINRA as a General Securities Representative and a General Securities Principal. Kirshbaum has been registered in those capacities, as well as

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a Financial and Operations and Municipal Securities Principal, since May 27, 1999 through Prestige. He has also been registered through the firm as a Government Securities Principal since May 20, 2004. Kirshbaum is the President of Prestige.

RELEVANT DISCIPLINARY HISTORY

On October 30, 2007, Prestige and Kirshbaum were censured by NASD and the firm was fined \$27,500, of which \$15,000 was assessed jointly and severally against Kirshbaum, for the firm's failure to maintain the required minimum net capital while conducting a securities business, as well as engaging in parking registrations and failing to maintain a check register.

On December 22, 2004, Prestige was censured, and Kirshbaum was suspended in capacities for ten business days, by NASD, and they were jointly and severally fined \$5,000 for providing false, misleading, inaccurate and untimely responses to NASD's requests for information, as well as failing to notify NASD that the firm's registered options principal's ("ROP") license had been terminated and that it had been conducting a retail options business without a ROP.

OVERVIEW

From at least September 2006 through June 2009, Prestige, acting through Kirshbaum and at least two other principals of the firm, engaged in a fraudulent trading scheme through which improper mark-ups were concealed and customers were denied best execution. As part of this scheme, the firm's former Chief Compliance Officer and Head Trader, Tod Bretton ("Bretton"), falsified order tickets and created inaccurate trade confirmations.¹ The hidden profits were captured in a firm account controlled by Kirshbaum and another firm principal. In November 2010, while it was suspended, Prestige, acting through Kirshbaum, entered into an agreement to sell and distribute the personal, confidential and non-public information of thousands of customers in contravention of Regulation S-P, relating to over six thousand brokerage accounts, to an unaffiliated member firm in exchange for the promise of transaction-based compensation from any future trading activity in those accounts. In or about 2006 through 2010, Prestige and Kirshbaum also engaged in various supervisory violations, failed to retain and review business communications of the firm, failed to report customer complaints and failed to respond to certain information requests from FINRA staff. Moreover, from at least September 2006 through at least March 2008, the firm, acting in part through Kirshbaum, failed to develop and implement a reasonably designed written anti-money laundering compliance program ("AMLCP").

This conduct violated NASD Conduct Rules 2120, 2320, 3010, 3011, 3012, 3013, 3070, 3110 and 2110, IM-2310-2, IM-3013, FINRA Rules 2020, 3130, 3310, 8210 and 2010, Section 10(b) of the Securities Exchange Act of 1934 ("Exchange

¹ On April 29, 2010, FINRA issued an AWC barring Bretton for his role in this fraudulent trading scheme.

Act") and Rules 10b-5 and 10b-10 thereunder, Section 17(a) of the Exchange Act and Rules 17a-3 and 17a-4 thereunder, and MSRB Rules G-27 and G-41.

FACTS AND VIOLATIVE CONDUCT

Fraudulent Trading Scheme and False Order Tickets

From at least September 2006 through June 2009, Prestige, acting through Kirshbaum and at least one other principal of the firm, were involved in a fraudulent trading scheme through which Bretton, then the Chief Compliance Officer and Head Trader for the firm, concealed improper mark-ups and denied customers best execution. As part of this scheme, Bretton falsified order tickets and created inaccurate trade confirmations. The hidden profits were captured in a firm account that was controlled by Kirshbaum and another firm principal. Some of the profits were then shared with Bretton and another individual.

This trading scheme took advantage of customers placing large orders (generally 1,000 shares or more) to buy or sell equities. Rather than effecting the trades in the customers' accounts, Bretton placed the order in a firm proprietary account. He would then increase or decrease the price per share for the securities purchased or sold, respectively, by approximately \$.02 to \$.05 above or below the market price, before ultimately allocating the shares or proceeds to the customers' accounts. This improper price change was not disclosed to or authorized by the customers. This fraudulent trading scheme generated approximately \$1.3 million in profits for the firm's proprietary accounts during the relevant time period. Kirshbaum was aware of and permitted the trading described herein. A firm account, controlled by Kirshbaum and another firm principal, retained 47% of the profits from the scheme.

In furtherance of the fraudulent trading scheme, Bretton, throughout the relevant time period, entered false information on the corresponding order tickets regarding the share price and the time the customer order ticket was received, entered and executed. Moreover, the corresponding trade confirmations inaccurately reflected the price, mark-up and/or commission charged and the order capacity.

By engaging in the fraudulent trading scheme, which involved trading ahead of customer orders, falsifying order tickets and trade confirmations, and/or failing to arrange for best execution, Prestige and Kirshbaum willfully violated Section 10(b) of the Exchange Act and Rules 10b-5 and 10b-10 thereunder, Section 17(a) of the Exchange Act and Exchange Act Rule 17a-3 thereunder, violated NASD Conduct Rules 2120 (for conduct before December 15, 2008), 2320, 3110 and 2110 (for conduct before December 15, 2008), IM-2310-2, and FINRA Rules 2020 and 2010 (both FINRA rules are charged for conduct after December 14, 2008).

Improper Sale and Distribution of Personal, Non-Public Customer Data

Regulation S-P provides, in pertinent part, that a broker or dealer may not disclose any non-public personal information about a consumer to a non-affiliated third party unless, among other things, the firm gives the consumer notice of its intent to disclose and provides a reasonable opportunity to opt out of such disclosure before the firm discloses the information. Kirshbaum and Prestige did not provide any of the customers with the required notice or opportunity to opt out.

Moreover, Rule 30(a) of Regulation S-P requires that every broker, dealer, and investment company, and every investment adviser registered with the Commission, must adopt policies and procedures that address administrative, technical, and physical safeguards for the protection of customer records and information. Those written policies and procedures must be reasonably designed to: (1) insure the security and confidentiality of customer records and information; (2) protect against any anticipated threats or hazards to the security or integrity of customer records and information; and (3) protect against unauthorized access to or use of customer records or information that could result in substantial harm or inconvenience to any customer.

Prestige has been suspended since October 21, 2010, for failure to pay arbitration fees. Nevertheless, on or about November 16, 2010, the firm, acting through Kirshbaum, entered into an agreement to sell the personal, confidential and non-public information of thousands of customers, relating to over six thousand brokerage accounts, to an unaffiliated member firm in exchange for transaction-based compensation from any future trading activity in those accounts. In connection with that agreement, Kirshbaum provided that unaffiliated member firm with the name, account number, value and holdings on spreadsheets via electronic mail. Moreover, Kirshbaum granted certain representatives of that firm live access to Prestige's computer systems, including access to systems provided by Prestige's clearing firm, which provided access to other non-public confidential customer information such as social security numbers, dates of birth and home addresses.

By improperly entering into an agreement to sell, and by distributing, the personal, confidential and non-public information of its customers to a third party, Prestige violated Regulation S-P and FINRA Rule 2010 and Kirshbaum violated FINRA Rule 2010. By entering into an agreement for transaction-based compensation when the firm was suspended, Prestige and Kirshbaum violated FINRA Rule 2010.

Failure to Enforce Supervisory System/Procedures and to Review Correspondence

From at least September 2006 through at least July 2009, Prestige, acting through Kirshbaum, failed to establish and maintain a supervisory system, and establish, maintain and enforce written supervisory procedures to supervise the activities of each registered person that were reasonably designed to achieve compliance with the applicable rules and regulations in the following areas:

- Interpositioning
- Front-running
- Supervisory Branch Office Inspections
- Supervisory Controls
- Annual Compliance Meeting
- Maintenance and Periodic Review of Electronic Communications
- Rule 3012 Annual Report to Senior Management
- Review and Retention of Electronic and Other Correspondence
- Regulation S-P
- Anti-Money Laundering
- Form U4/U5 Amendments and 3070 Reporting

During that same time period, Prestige failed to enforce its procedures requiring review of written and electronic correspondence of its registered representatives relating to the firm's securities business.

By failing to establish and maintain a supervisory system and failing to establish, maintain and enforce written supervisory procedures reasonably designed to ensure compliance with the rules and regulations concerning the areas above, Prestige and Kirshbaum violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 3010, MSRB Rule G-27 and FINRA Rule 2010 (for conduct after December 14, 2008). In addition, Prestige also violated those rules by failing to enforce its procedures requiring review of written and electronic correspondence.

Deficient Supervisory Controls

From at least September 2006 through at least July 2009, Prestige failed to establish, maintain and enforce a 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. Among other things, Prestige's designated principals failed to submit to the firm's senior management any report in 2007, 2008 or 2009 that detailed its system of supervisory controls, the summary of the test results and significant identified

exceptions, and any additional or amended supervisory procedures created in response to the test results. Indeed, in 2008, Prestige failed even to conduct a test of its supervisory procedures. Moreover, although Prestige conducted some limited testing in 2007 and 2009, that testing was deficient in that the firm failed to evaluate several aspects of its written compliance policies and written supervisory procedures, including the following areas:

- review and supervision of the customer account activity conducted by the firm's branch office managers;
- review and monitoring of customer changes of address and the validation of such changes; and
- review and monitoring of customer changes of investment objectives and the validation of such changes.

In fact, Prestige failed to enforce the written supervisory control policies and procedures it had with respect to those three areas. The firm also failed to establish written supervisory control policies and procedures reasonably designed to provide heightened supervision over the activities of each producing manager who is responsible for generating 20% or more of the revenue of the business units supervised by that producing manager's supervisor. As a result, the firm did not determine whether it had any such producing managers and, to the extent that it did, subject those managers to heightened supervision.

FINRA Rule 3130 (formerly NASD Conduct Rule 3013) requires an annual certification by its chief executive officer(s) or an equivalent officer(s) that the firm has in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures reasonably designed to obtain compliance with applicable FINRA rules, MSRB rules and federal securities laws and regulations, and that the chief executive officer(s) has conducted one or more meetings with the chief compliance officer(s) in the preceding 12 months to discuss such processes. As described above, Prestige had many deficiencies with respect to such processes, policies and procedures, and the firm failed to test the effectiveness of them on a periodic basis. Nevertheless, in 2007 and 2009, Prestige, acting through one of its designated principals, falsely certified that it had the requisite processes in place and that those processes were evidenced in a report reviewed by its CEO, CCO and other officers. Further, the firm failed to file an annual certification in 2008.

By failing to establish, maintain and enforce a reasonably designed system of supervisory control policies and procedures, Prestige violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 3012, FINRA Rule 2010 (for conduct after December 14, 2008) and MSRB Rule G-27. For falsely certifying that the firm had certain processes and supervisory procedures in place, and for failing to file a certification in 2007, Prestige violated NASD Conduct

Rules 3013 and 2110, IM-3013 (both NASD rules and IM-3013 are charged for conduct before December 15, 2008) and FINRA Rules 3130 and 2010 (both FINRA rules are charged for conduct after December 14, 2008).

Inadequate AMLCP

FINRA Rule 3310, formerly NASD Conduct Rule 3011, which became effective on April 24, 2002, requires FINRA members 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. Section (a) of this Rule directs member firms to establish and implement procedures reasonably designed to detect and cause the reporting of certain suspicious transactions. Section (b) requires firms to establish and implement procedures reasonably designed to achieve compliance with the Bank Secrecy Act. Section (c) requires firms to provide for annual independent testing for compliance to be conducted by member personnel or by a qualified outside party. The independent testing should review and assess the adequacy and level of compliance with the firm's AMLCP.

FINRA issued numerous communications to its members regarding the requirement to have an anti-money laundering program, notifying them that the requirement applied to all member firms. Among other things, FINRA communicated the requirement in Notice to Members ("NtM") 02-21 (April 2002) and reiterated this requirement in subsequent NtMs 02-47 (August 2002), 02-50 (August 2002), 02-78 (November 2002), 02-80 (December 2002), 03-34 (June 2003) and 06-07 (February 2006).

From at least September 2006 through at least March 2008, Prestige failed to implement a reasonably designed AMLCP. Specifically, although the firm had developed an AMLCP, it failed to:

- implement policies and procedures to detect and cause the reporting of suspicious activity and transactions;
- implement policies, procedures and internal controls reasonably designed to obtain and verify necessary customer information through its Customer Identification Program; and
- provide relevant training for firm employees.

Moreover, Prestige failed to conduct independent tests of the firm's AMLCP from 2006 through 2009.

From at least September 13, 2006 through June 22, 2009, Prestige, acting through Kirshbaum and one other principal of the firm, failed to implement policies and procedures reasonably designed to ensure compliance with the Bank Secrecy Act by failing to enforce its procedures requiring the firm to review all Section 314(a) requests that it received from the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN").¹ As a result, the firm failed to review 74 such requests during that time period. Kirshbaum and another principal were responsible for accessing the system to review the FinCEN messages, but failed to do so during such time period.

By failing to establish a reasonably designed AMLCP, Prestige violated NASD Conduct Rules 3011(a), (b), (c) and (e) (for conduct before January 1, 2010) and 2110 (for conduct before December 15, 2008), MSRB Rule G-41 and FINRA Rules 3310(a), (b), (c) and (e) (for conduct after December 31, 2009) and 2010 (for conduct after December 14, 2008). By failing to enforce the firm's procedures requiring it to review all Section 314(a) requests that it received from FinCEN, Prestige and Kirshbaum violated NASD Conduct Rules 3011(b) (for conduct before January 1, 2010) and 2110 (for conduct before December 15, 2008), MSRB Rule G-41 and FINRA Rules 3310(b) (for conduct after December 31, 2009) and 2010 (for conduct after December 14, 2008).

Failure to Retain E-mail

At the times relevant herein, Exchange Act Rule 17a-4 required that member firms maintain and preserve, for a period of not less than three years (the first two years in an easily accessible place), electronic communications relating to the firm's business as a broker-dealer. In Notices to Members 98-11, 01-80 and 03-33, FINRA provided member firms information and guidance regarding their supervisory and recordkeeping obligations as to electronic communications, including e-mails and instant messaging.

From at least September 2006 through at least March 2008, Prestige permitted certain registered representatives to use personal e-mail accounts for business-related communications, but failed to retain those messages. Accordingly, Prestige failed to maintain and preserve all of its business-related electronic communications as required by Exchange Act Rule 17a-4. Similarly, Prestige failed to maintain copies of all of the written business communications of its registered representatives.

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.

By failing to maintain and preserve all of its business-related written and electronic communications, Prestige violated Exchange Act Rule 17a-4 and NASD Conduct Rules 3110 and 2110.

Failure to Report Customer Complaints

NASD Conduct Rule 3070(c) requires, in part, that each member shall report to FINRA statistical and summary information regarding customer complaints. Members must provide statistical and summary information regarding customer complaints in such detail as FINRA shall specify by the 15th day of the month following the calendar quarter in which customer complaints are received by the firm. This rule assists FINRA in monitoring on a real-time basis the ongoing compliance of member firms and associated persons with applicable securities laws and regulations. Customer complaints must also be timely disclosed on the Forms U4 and U5 of a firm's registered representatives

From March 11, 2008 through June 8, 2009, Prestige failed to file summary and statistical information for at least 35 customer complaints by the 15th day of the month following the calendar quarter in which they were received by the firm. Moreover, those customer complaints were not disclosed, or not timely disclosed, on the subject registered representative's Form U4 or U5, as applicable.

By failing to report, or timely report, customer complaints, Prestige violated NASD Conduct Rule 3070 and 2110 (for conduct before December 15, 2008) and FINRA Rule 2010 (for conduct after December 14, 2008).

Failure to Respond to FINRA Requests

By various letters sent from July 19, 2010 to December 6, 2010, FINRA staff requested, pursuant to FINRA Rule 8210, that Prestige provide information and documents concerning trading and other matters. Prestige, however, failed to provide some of the information requested.

By failing to respond to the information requests, Prestige violated FINRA Rules 8210 and 2010.

- B. We also consent to the imposition of the following sanctions:

Prestige: Expulsion from membership with FINRA.

Kirshbaum: A bar from association with any member firm in any capacity.

Kirshbaum understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Kirshbaum may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

Prestige and Kirshbaum understand that this settlement includes a finding that they willfully violated Section 10(b) of the Exchange Act and Rules 10b-5 and 10b-10 promulgated thereunder of the Securities Exchange Act of 1934 and that under Article III, Section 4 of FINRA's By-Laws, this makes them subject to a statutory disqualification with respect to membership and association with a member, respectively.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

We 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, we 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.

We 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

We 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 us; and
- C. If accepted:
 - 1. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against us;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about our 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. We 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. We 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 our rights to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

The undersigned, on behalf of Prestige, 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 the firm 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.

Kirshbaum 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.

3/2/2011
Date

3/2/2011
Date

March 2, 2011
Date

Prestige Financial Center, Inc.

By:

Lawrence Gary Kirshbaum
President - Prestige Financial Center, Inc.

Lawrence Gary Kirshbaum
Respondent

Christina Kirshbaum
Christina Kirshbaum,
On Behalf of the Board of Directors
of KT Prestige, the Majority Shareholder
of Prestige Financial Center, Inc.

Reviewed by:

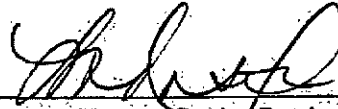
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Accepted by FINRA:

5.23.11

Date

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



Lynn M. Kaseta, Senior Regional Counsel

Michael S. Choi, Senior Counsel

FINRA Department of Enforcement

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