

FINRA

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090176694-01**

2012 JUN 13 AM 11: 36

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

RE: Sterne, Agee & Leach, Inc. Respondent
Broker-Dealer
CRD No. 791

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Sterne, Agee & Leach, Inc. ("SALI" or the "firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

The firm has been a member of FINRA since 1936, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has no relevant disciplinary history.

FACTS AND VIOLATIVE CONDUCT

In Market Regulation Review No. 2009176694, Market Regulation staff conducted a review of SALI's compliance with NASD Rules 2110, 2111(a) and 2320 for the period July 1, 2008 through September 30, 2008.

1. In 32 instances, the firm failed to execute orders fully and promptly. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 2111(a).

2. In 14 transactions for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions, as reflected on Exhibit A which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 2320.

In Market Regulation Review No. 20100213990, Market Regulation staff conducted a review of SALI's compliance with NASD Rule 2110 and IM-2110-2 and FINRA Rule 2010 relating to limit order protection for the period October 1, 2008 through March 31, 2009.

3. In 31 instances during the review period, the firm failed to contemporaneously or partially execute 31 customer limit orders in OTC securities after it traded each subject security for its own market making account at a price that would have satisfied each customer's limit order. The 31 instances are reflected on Exhibit B. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 2110 (for conduct before December 15, 2008) and FINRA Rule 2010 for conduct beginning on December 15, 2008, and NASD IM-2110-2.

B. The firm also consents to the imposition, at a maximum, of the following sanctions:

A censure and fine of \$25,000 consisting of:

\$15,000 for violations of NASD Rules 2110, 2111(a) and 2320 in Review No. 2009176694;

\$10,000 for violations of NASD Rules 2110, NASD IM-2110-2 and FINRA Rule 2010 in Review No. 20100213990; and

Restitution by Respondent to the accounts associated with the transactions identified on Exhibits A and B, which are attached hereto, in the amount of \$1,113.72 for Review No. 20090176694, and \$220.00 for Review No. 20100213990, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this AWC is accepted by the National Adjudicatory Council ("NAC"). A registered principal of the firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution, to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850 or in an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, no later than 120 days after acceptance of this AWC. If for any reason, Respondent cannot locate any customer after reasonable and documented efforts within such period, or such

additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer is known to have last resided.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against the firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

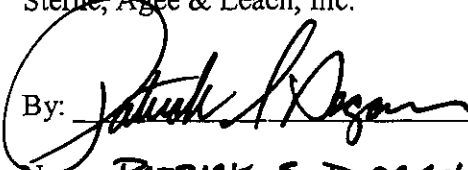
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. The firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

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 the AWC's 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.

June 12, 2012

Date

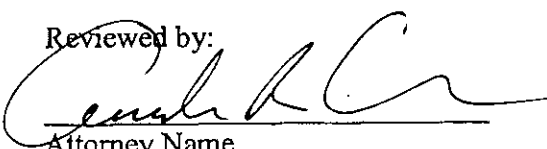
Respondent
Sterne, Agee & Leach, Inc.

By: 

Name: PATRICK S. DOBAN

Title: CCO

Reviewed by:


Attorney Name

Counsel for Respondent

Firm Name

Address

City/State/Zip

Phone Number

Accepted by FINRA:

8/28/12
Date

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


Thomas R. Gira
Executive Vice President
Department of Market Regulation

Sterne, Agee Leach, Inc.
Matter No. 20090176694

Exhibit A

Item No.	Date	Issue	Quantity	Order Received Time	Order Execution Time	Firm Order ID	Restitution
1	7/2/2008	DPTR	36	10:27:20	11:29:53	EB0016	N/A
2	7/2/2008	HURC	95	10:58:46	10:59:21	SV0031	N/A
3	7/7/2008	ASCA	350	10:08:00	10:08:49	AE0004	N/A
4	7/11/2008	ENSI	116	15:05:26	15:07:05	MB0021	\$16.24
5	7/14/2008	EWBC	74	11:49:34	11:50:09	SV0077	\$2.22
6	7/18/2008	NOBL	2000	10:38:01	12:05:47	BT0047	N/A
7	7/23/2008	FSGI	1000	11:20:00	11:27:07	KK0078	\$5.00
8	7/25/2008	BEXP	220	13:45:37	13:47:59	QQ0047	\$5.72
9	7/28/2008	ENSI	300	10:20:00	11:21:13	MB0031	\$3.00
10	8/4/2008	EXXI	4000	9:28:32	9:31:00	BT0049	N/A
11	8/11/2008	IBKC	200	15:14:05	15:16:12	BR0017	\$43.20
12	8/11/2008	OKSBP	200	15:35:47	15:38:09	NL0014	N/A
13	8/12/2008	CWTR	200	8:00:00	9:41:57	LM0005	N/A
14	8/12/2008	SAVB	500	13:09:33	13:10:28	AJ0184	N/A
15	8/13/2008	MLVF	1500	9:36:33	9:50:02	BBC0008	N/A
16	8/18/2008	LION	1000	14:08:53	14:09:36	PA0002	\$11.88
17	8/19/2008	HURC	50	10:49:00	11:50:04	EB0041	N/A
18	8/20/2008	WRLD	500	10:37:17	10:37:48	PY0004	N/A
19	8/22/2008	LION	1000	15:22:00	15:24:00	PA0001	N/A
20	8/25/2008	HBHC	166	11:31:37	11:32:45	SV0041	N/A
21	8/25/2008	ENSI	431	12:03:17	12:05:23	MB0020	N/A
22	8/25/2008	WRLD	500	15:29:46	15:30:20	PY0002	\$12.00
23	8/26/2008	FBMS	1000	2:00:00	14:01:58	JJ0028	N/A
24	8/26/2008	URBN	100	13:48:34	13:49:18	GA0027	\$4.76
25	9/19/2008	WTNY	1300	9:31:56	9:40:07	MB0030	\$721.20
26	9/19/2008	WTNY	500	9:36:35	9:40:04	MB0038	\$126.00
27	9/19/2008	WTNY	500	9:37:55	9:40:04	MB0040	\$126.00
28	9/19/2008	UCBI	630	11:40:00	11:42:19	PA0006	\$31.50
29	9/25/2008	HURC	150	14:27:00	14:28:19	FG0107	\$5.00
30	9/25/2008	HURC	75	15:30:08	15:32:04	AJ0352	N/A
31	9/25/2008	HURC	100	15:30:13	15:31:51	AJ0353	N/A
32	9/25/2008	HURC	100	15:30:17	15:31:28	AJ0354	N/A
						Total:	\$1,113.72

Triggering Transactions						Customer Orders				
Item No.	Date	Issue	Quantity	Execution Time	Execution Price	Order Receipt Date	Quantity	Limit Price	Firm Order ID	Restitution
1	11/12/2008	NSBC	130	13:44:06	7.6000	11/12/2008	1,079	7.5000	HC0001	\$23.00
2	11/13/2008	NSBC	100	12:55:25	7.6000	11/12/2008	1,079	7.5000	HC0001	n/a
3	11/13/2008	XLRT	900	10:00:44	0.1500	11/13/2008	142,858	0.1500	GR0004	n/a
4	11/20/2008	EBOF	50,000	15:52:28	0.0041	11/20/2008	200,000	0.0040	FGA0043	\$6.00
5	11/20/2008	EBOF	10,000	15:53:21	0.0041	11/20/2008	200,000	0.0040	FGA0043	n/a
6	11/21/2008	FLWE	10,000	11:17:28	0.0050	11/21/2008	74,000	0.0050	BD0113	n/a
7	11/25/2008	CTVWF	5,500	09:30:12	0.0085	11/24/2008	333,000	0.0090	EB0131	n/a
8	11/25/2008	CTVWF	100,000	09:30:20	0.0085	11/24/2008	333,000	0.0090	EB0131	n/a
9	11/25/2008	HCFI	140,000	14:06:43	0.00130	11/25/2008	482,500	0.0020	D258493E	\$28.00
10	12/05/2008	VSPC	7,100	15:03:29	0.0115	12/05/2008	100,000	0.0115	D2F0DBDB	n/a
11	12/05/2008	DKAM	1,100	15:16:03	0.1500	12/05/2008	25,000	0.1500	D2F0DBE1	n/a
12	12/08/2008	PGOG	5,000	14:43:38	0.2850	12/08/2008	30,000	0.3000	D31EA2B8	\$25.00
13	12/12/2008	LFGRQ	5,000	09:52:55	0.0500	12/05/2008	3,000	0.0500	D2F0DB47	n/a
14	12/15/2008	BSKO	5,000	12:43:49	0.0010	12/09/2008	400,000	0.0010	CQ0004	n/a
15	12/26/2008	DKAM	10,300	09:43:53	0.1650	12/26/2008	22,500	0.1650	D4314AC3	n/a
16	12/26/2008	JYHW	9,000	11:19:42	0.2200	12/26/2008	10,000	0.2500	UO0002	n/a
17	01/05/2009	PMGYF	500	13:07:55	4.4200	01/05/2009	4,000	4.4200	24909874	n/a
18	01/07/2009	HCFI	3,000,000	15:00:40	0.0001	01/07/2009	9,500,000	0.0001	D6EF3270	n/a
						01/07/2009	9,500,000	0.0001	D6EF326F	n/a
						01/07/2009	9,500,000	0.0001	D6EF3272	n/a
						01/07/2009	9,500,000	0.0001	D6EF3274	n/a
						01/07/2009	9,500,000	0.0001	D6EF3275	n/a
						01/07/2009	2,500,000	0.0001	D6EF3276	n/a
19	01/09/2009	UBRG	2,500	11:15:28	1.0500	01/09/2009	15,000	1.0500	25016869	n/a
20	01/12/2009	HCFI	8,314,286	09:49:21	0.0001	01/12/2009	9,500,000	0.0001	D73B7D66	n/a
21	01/13/2009	ARWD	5,000	15:22:06	0.0640	01/13/2009	50,000	0.0600	AZ0024	n/a
22	01/22/2009	NHCR	10,000	10:08:32	0.1000	01/22/2009	10,000	0.1000	D7D4143B	n/a
23	01/23/2009	NNGB	5,000	13:26:49	0.0002	01/23/2009	800,000	0.0002	D7E356C9	n/a
24	01/29/2009	CBAI	25,000	11:34:17	0.0212	01/29/2009	100,000	0.0215	D83EE45B	n/a
25	03/10/2009	TNEN	300	13:25:48	0.0350	03/10/2009	2,000	0.0400	DAA13E17	n/a

Triggering Transactions						Customer Orders				
Item No.	Date	Issue	Quantity	Execution Time	Execution Price	Order Receipt Date	Quantity	Limit Price	Firm Order ID	Restitution
26	03/13/2009	ACTC	21,700	10:50:30	0.1250	03/13/2009	110,000	0.1300	BS0001	\$108.50
27	03/25/2009	EBOF	250,000	13:07:04	0.0008	03/25/2009	2,600,000	0.0008	DB862070	n/a
28	03/31/2009	BBDA	1,000,000	09:32:01	0.0002	03/31/2009	50,000,002	0.0002	DBE1AD07	\$20.00
29	03/31/2009	BBDA	1,000,000	09:33:14	0.0002	03/31/2009	50,000,002	0.0002	DBE1AD07	n/a
30	03/31/2009	RHDC	25,000	13:29:39	0.2500	03/31/2009	250,000	0.2500	26778116	n/a
31	03/31/2009	DGRI	950	15:30:17	0.1700	03/31/2009	30,000	0.1900	RU0016	\$9.50
Total										\$220.00