

FINRA

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090182665-01

2009-7 AM 11:50

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

RE: J.H. Darbie & Co., Inc., Respondent
Broker-Dealer
CRD No. 43520

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, J.H. Darbie & Co., Inc., (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 February 20, 1998 and its registration remains in effect. The firm has no relevant prior disciplinary history.

SUMMARY

In connection with matter 20090182665, the Order Audit Trail System ("OATS") team of the Department of Market Regulation staff ("staff") reviewed the firm's compliance with OATS reporting requirements during the period September 1, 2008 through December 31, 2008 (the "review period").

FACTS AND VIOLATIVE CONDUCT

1. During the review period, the firm failed to timely report to OATS 2,204 Reportable Order Events ("ROEs"). These late ROEs represented 100 percent of all ROEs (2,204) that the firm transmitted to OATS during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a) (for conduct prior to December 15, 2008) and FINRA Rule 7450 (for conduct on or after December 15, 2008).
2. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of FINRA, concerning OATS reporting. Specifically, the firm's supervisory system did not include written supervisory procedures providing for (1) the identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes violations of NASD Rule 2110 (for conduct prior to December 15, 2008) and FINRA Rule 2010 (for conduct on or after December 15, 2008) and NASD Rule 3010.

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

A censure and fine of \$11,500 comprised of a \$6,500 fine for OATS reporting violations and a \$5,000 fine for deficient supervisory procedures, and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph two. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the Respondent shall submit to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850**, a signed, dated letter, or an e-mail from a work-related account of the registered principal to **MarketRegulationComp@finra.org**, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph two above; and, (3) the date the revised procedures were implemented.

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. 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:

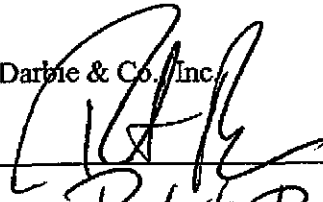
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will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

6/2/10

Date

J.H. Darbie & Co., Inc.

By: 

Name: Robert Rabnowitz

Title: CFO

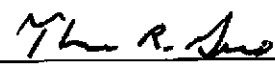
Reviewed by:

Attorney Name

Accepted by FINRA:

6/17/11
Date

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


Thomas R. Gira
Executive Vice President
Department of Market Regulation

J H DARBIE & CO., INC.

Financial Services

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www.jhdarbie.com



06/02/2011

Market Regulation
9509 Key West Avenue
Rockville Maryland 20850-3329
Thomas R. Gira
Executive Vice President
Department of Market Regulation

Re: STAR No. 20090182665 -- Corrective Action Statement

Dear Mr. Gira:

This Corrective Action Statement is submitted by JH Darbie & Co, Inc.. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

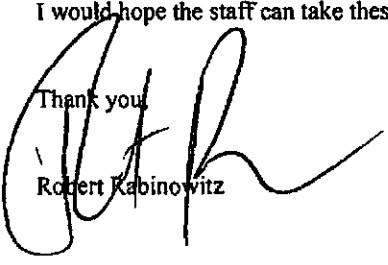
JH Darbie has been working diligently to fix our OATS issues. The timely late OATS ROEs were due to transmission errors. While we understand it is our responsibility to file on time, we would like the staff to realize that we had been working on fixing the issues during that time.

The firm has contracted with a third party to report its OATS. We have seen a tremendous improvement in late ROE's and all other various OATS reporting requirements. We have updated our WSP's as well.

While we accept responsibility for the events in 2008 we also would like the staff to know that during that time period and the proceeding time period we were diligently trying to fix the issue until the final decision was made to switch to a third party vendor.

I would hope the staff can take these corrective actions into consideration.

Thank you


Robert Kabinowitz