

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090208265-01

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

RE: Janney Montgomery Scott LLC, Respondent
Broker-Dealer
CRD No. 463

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Janney Montgomery Scott LLC ("JANY" 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 became a member of FINRA in 1936, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

In a NYSE decision dated July 16, 2007, the firm was censured and fined \$2.5 million for conduct that included, *inter alia*, violations of SEC Rule 17a-3 from January 2004 through December 2004. The matter stemmed from a NYSE investigation of the firm's stock loan activities, including its use of finders and its supervision of those activities.

SUMMARY

In connection with Matter No. 20090208265, FINRA's Customer Issues Group ("CIG") conducted a regulatory Market Order Timeliness ("MOT") sweep to determine the Firm's compliance with best execution and market order handling requirements during the period July 1, 2009 through September 30, 2009 (the "MOT review period").

Matter No. 20090209124 is the Department of Market Regulation's 2010 Trading and Market Making Surveillance ("TMMS") Examination of the firm. The on-site portion of the examination took place on January 25-28, 2010. Attached as Exhibit 1 is a list of the items the staff reviewed during the on-site examination for trade dates December 8-9, 2009 (the "TMMS review period").

FACTS AND VIOLATIVE CONDUCT

In connection with Matter No. 20090208265:

1. During the MOT review period, in 49 transactions the firm failed to execute orders fully and promptly. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2010 and NASD Rule 2111(a).
2. In 25 of the 49 transactions described in item 1 above, for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and 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 2, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2010 and NASD Rule 2320.

In connection with Matter No. 20090209124:

3. During the TMMS review period, the firm incorrectly marked its ledger as long when the firm's position was short in 167 instances; failed to maintain customer confirmations in 17 instances; failed to document accurate opening and closing proprietary positions in 11 instances; failed to show the correct time of entry on the memorandum of 10 brokerage orders; and failed to provide order memoranda for 8 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and 17a-4.
4. During the TMMS review period, the firm incorrectly reported the second leg of 51 "riskless" principal transactions as "agent" to the FINRA/Nasdaq Trade Reporting

Facility. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6380A.

5. During the TMMS review period, the firm transmitted to OATS 48 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports contained inaccurate timestamps and omitted or inaccurate Account Type Codes. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
- gh 6. During the TMMS review period, the firm executed 33 short sale transactions and failed to report each of these transactions to the FINRA Trade Reporting Facility with a short sale modifier. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6182.
7. During the TMMS review period, the firm executed 29 short sale orders and failed to properly mark the orders as short. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 200(g) of Regulation SHO.
8. 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 and the SEC. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to provide for one or more of the four above-cited minimum requirements for adequate written supervisory procedures, in the following subject areas: order handling [(a), (b), (c), (d)]; best execution [(d)]; anti-intimidation [(a), (d)]; trade reporting [(a), (b), (c), (d)]; sale transactions [(a), (b), (c), (d)]; trading during halt [(d)]; order entry errors [(b), (c), (d)]; soft dollar accounts [(a), (b), (c), (d)]; OATS [(a), (b), (c), (d)]; sub-penny rules [(a), (b), (c), (d)]; electronic communication [(d)]; backing away [(d)]; and Chinese walls [(d)]. The conduct described in this paragraph constitutes violations of FINRA Rule 2010 and NASD Rule 3010.

9. The firm failed to establish, maintain, and enforce written policies and procedures that were reasonably designed to prevent trade-throughs of protected quotations in NMS stocks that do not fall within any applicable exception, and if relying on an exception, are reasonably designed to assure compliance with the terms of the

exception. The conduct described in this paragraph constitutes a violation of SEC Rule 611(a)(1) of Regulation NMS.

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

A censure, a fine of \$55,000 (\$5,000 for the NASD Rule 2111(a) violations; \$5,000 for the NASD Rule 2320 violations; \$5,000 for the SEC Rule 17a-3 violations; \$5,000 for the FINRA Rule 6380A violations; \$10,000 for FINRA Rule 7450 violations; \$5,000 for FINRA Rule 6182 violations; \$5,000 for the SEC Rule 200(g) violations; \$10,000 for the FINRA Rule 2010 and NASD Rule 3010 supervisory violations; and \$5,000 for the SEC Rule 611(a)(1) violations), an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.8, and restitution by the firm to those customers represented in the orders depicted in attached Exhibit 2, in the total combined amount of \$1,599.67, 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"). 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 I.A.6.; and (3) the date the revised procedures were implemented.

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 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 last resided.

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

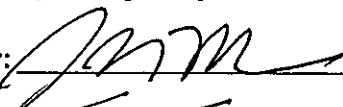
The firm understands that:

- 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.

3-1-2012
Date

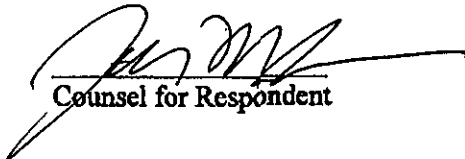
Respondent
Janney Montgomery Scott LLC

By: 

Name: John Juad

Title: SVP General Counsel

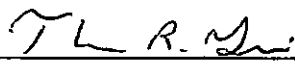
Reviewed by:


Counsel for Respondent

Accepted by FINRA:

4/24/12
Date

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


Thomas R. Gira
Executive Vice President
Department of Market Regulation