

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010020868901**

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

RE: Corby Capital Markets, Inc., Respondent
Member Firm
BD No. 7165

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent 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. Respondent 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

Corby Capital Markets, Inc. ("Corby") has been a member of FINRA since May 27, 1976. It is also registered with the Municipal Securities Rulemaking Board ("MSRB"). Corby is a broker-dealer that participates in municipal and corporate debt transactions as well as municipal underwritings. The firm employs approximately 12 registered persons, all out of its Boston, Massachusetts office.

RELEVANT DISCIPLINARY HISTORY

In March 2007, FINRA issued an AWC against Corby in which the firm agreed, without admitting or denying the findings, to a censure and an \$11,000 fine for 1) failing to report 492 purchase and sale transactions effected in municipal securities to the MSRB's Real-time Transaction Reporting system ("RTRS") within 15 minutes of the time of trade and 2) failing to have a supervisory system and procedures reasonably designed

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to achieve compliance with MSRB Rule G-14.

OVERVIEW

Corby failed to report approximately 12,113 of its municipal securities transactions to the MSRB. In addition, the firm failed to establish and maintain a supervisory system and adopt, maintain and enforce written supervisory procedures ("WSPs") that were reasonably designed to achieve compliance with MSRB reporting requirements. This conduct violated MSRB Rules G-14 and G-27.

FACTS AND VIOLATIVE CONDUCT

From about February 2007 through June 2010, Corby failed to report 12,113, or 31%, of its municipal securities transactions to the MSRB. Corby mistakenly viewed the transactions as "step outs" and therefore reported the transactions to the National Securities Clearing Corporation's Real-time Trade Matching system, but made no reports to MSRB's Real-time Transaction Reporting system. By failing to report those transactions, Corby violated MSRB Rule G-14.

In addition, Corby failed to establish and maintain a supervisory system and adopt, maintain and enforce WSPs that were reasonably designed to achieve compliance with MSRB reporting requirements. For example, the procedures failed to provide any instruction or guidance regarding how municipal securities transactions would be reported. In addition, the only specific provision contained in the WSPs regarding the supervision of trade reporting was that the "Principal will monitor the Company's transaction reporting performance no less frequently than quarterly (by accessing reported data through the MSRB's Dealer Feedback Service)." The WSPs, however, failed to provide for effective follow-up and review to ensure enforcement of that provision. Moreover, in that there were no specific guidelines for how that principal review was to take place, it is unclear whether such a review would have detected the reporting failures cited herein. By failing to maintain a reasonable and adequate supervisory system and written supervisory procedures relating to MSRB reporting requirements, Corby violated MSRB Rule G-27.

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

- a censure and a \$100,000 fine

In addition, Respondent agrees to comply with the following undertaking within the time period specified (unless otherwise extended by FINRA staff following a written request by the firm):

- Within 30 calendar days of the issuance of this AWC, Respondent's

President will certify to FINRA in writing that the firm currently has in place systems and procedures reasonably designed to achieve compliance with those laws, regulations, and rules concerning MSRB reporting requirements. The certification, along with the current procedures, must be submitted to Department of Enforcement staff at FINRA's Boston District Office. Although FINRA staff may review the revised procedures, said review shall in no way constitute an approval of the revised procedures. The failure of FINRA staff to alert Respondent to any deficiencies in the revised procedures shall not preclude FINRA from instituting a subsequent disciplinary action as a result of deficiencies in the revised procedures.

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

Respondent 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.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent 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, Respondent 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.

Respondent 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

Respondent 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;
- C. If accepted:
 - 1. this AWC will become part of its 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 its 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. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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 Respondent, 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 Respondent 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.

Corby Capital Markets, Inc.

9-30-2011
Date (mm/dd/yyyy)

By: Michael J. Reilly
Michael Reilly
President

Reviewed by:

10/3/11
Michael Unger, Esq.
Counsel for Respondent
Rubin and Rudman LLP
50 Rowes Wharf
Boston, MA 02110
(617) 330-7075

Accepted by FINRA:

10/11/2011
Date

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

Bonnie S. McGuire

Bonnie S. McGuire
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FINRA Department of Enforcement
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Corby Capital Markets, Inc.
Member Firm
BD No. 7165

Corrective Action Statement

Corby has recognized that there was a systematic problem with trade report processing and testing and has taken the following steps:

1. Corby has retained an outside compliance consultant, recommended by FINRA, to review, modify, and enhance Corby's written supervisory procedures applicable to its municipal securities trade reporting systems.
2. Corby has met with and received training from its clearing broker to identify precisely which transaction reports will be submitted by the clearing broker and which transaction reports will be submitted separately by Corby.
3. Corby has modified its trade procedures to provide specific instruction on how municipal securities transactions are to be reported along with an effective *daily* review to ensure compliance.
4. Corby has updated its supervisory procedures to utilize the above-referenced independent consulting firm on an on-going basis to:
 - i. Work with Corby's CCO to identify and assess compliance risks associated with Corby's business activities;
 - ii. Test and verify Corby's supervisory procedures; and
 - iii. Track, review and disseminate new and amended regulations.
5. Corby has replaced its Chief Compliance Officer with a new CCO who is a qualified attorney and will be dedicated solely to Corby's compliance efforts.

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