

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

EQUITY SERVICES, INC.,
CRD No. 265,

RESPONDENT.

DISCIPLINARY PROCEEDING
No. 2010020870401

HEARING OFFICER - LBB

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: December 6, 2012

INTRODUCTION

Disciplinary Proceeding No. 2010020870401 was filed on November 29, 2012 by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Equity Services, Inc. submitted an Offer of Settlement (Offer) to Complainant dated November 29, 2012. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, 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, to the entry of findings and violations consistent with the allegations of the Complaint and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of

Respondent's permanent disciplinary records and may be considered in any future actions brought by FINRA.

BACKGROUND

Respondent has been a FINRA member firm since on or about January 3, 1969 with its principal place of business in Montpelier, Vermont. Respondent is a retail broker-dealer engaged primarily in the sale of mutual funds, insurance and variable annuities. The firm is approved to do business in all 50 states and the District of Columbia. It currently has approximately 568 registered representatives operating out of approximately 194 branch offices, 27 of which are designated as Offices of Supervisory Jurisdiction. During the Relevant Time Period, Respondent had as many as 775 registered representatives working from as many as 263 branch offices.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

SUMMARY

1. From January 1, 2007 through June 1, 2011 (Relevant Time Period), Respondent failed to establish and maintain a supervisory system and establish, maintain and enforce written supervisory procedures reasonably designed to achieve compliance with the requirements of FINRA rules and the federal securities laws. This conduct violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 3010 and FINRA Rule 2010 (for conduct after December 14, 2008).

SUPERVISORY DEFICIENCIES (NASD Conduct Rules 3010 and 2110 and FINRA Rule 2010)

2. During the Relevant Time Period, Respondent failed to establish and maintain a supervisory system and establish, maintain and enforce written supervisory procedures

reasonably designed to achieve compliance with the requirements of FINRA rules and the federal securities laws. Specifically, although the firm required its registered representatives to maintain antivirus software on their computers, it failed to adopt written policies and procedures that were reasonably designed to ensure representatives' compliance with this directive.

Respondent also did not adopt written policies and procedures providing for follow up on potential computer security issues uncovered during branch audits. Moreover, the firm's written policies and procedures also did not provide for the verification of information provided to it by registered representatives regarding antivirus software use. Further, Respondent did not provide its Office of Supervisory Jurisdiction principals with adequate training or guidance on how to conduct inspections of branch office registered representatives' computers.

3. By failing to establish and maintain a supervisory system and establish, maintain and enforce written supervisory procedures reasonably designed to achieve compliance with the requirements of FINRA rules and the federal securities laws, Respondent violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 3010 and FINRA Rule 2010 (for conduct after December 14, 2008).

Based on the foregoing, Respondent violated NASD Conduct Rules 3010 and 2110 and FINRA Rule 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be censured and fined \$20,000.

Respondent agrees to pay the monetary sanction upon notice that this Offer 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.

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

SO ORDERED.

FINRA

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

A handwritten signature in black ink, appearing to read "Paul D. Taberner", is written over a horizontal line.

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