

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010020967601**

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

RE: Wunderlich Securities, Inc., Respondent
CRD No. 2543

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Wunderlich Securities, Inc. (hereinafter, "WSI" or "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 WSI alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, 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

WSI has been a member of FINRA since March 1984. It currently has 56 branch office locations and employs 310 registered individuals. WSI conducts a general securities business and is approved to conduct a municipal securities business as well.

OVERVIEW

At various junctures during the period from July 8, 2008 through June 10, 2010, WSI violated NASD and FINRA rules relating to research report disclosures, supervision of research analysts, and communications with the public.

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FACTS AND VIOLATIVE CONDUCT

Failure to Adequately Supervise the Personal Trading of Research Analysts

During the period from July 8, 2008 through June 10, 2010, WSI failed to supervise the personal trading of its research analysts who maintained discretionary accounts at other firms. During the stated period, WSI's written supervisory procedures mandated compliance department review of personal trading of research analysts; however, as a matter of policy, WSI did not require compliance review of analyst accounts over which discretionary trading authority had been granted to a third party manager or advisor. As a result of that policy, WSI did not review the personal trading of two research analysts who held discretionary accounts at other firms.

By reason of the foregoing, WSI violated NASD Conduct Rules 2711(i), 3010(a), and 2110, for the period from July 8, 2008 through December 14, 2008, and NASD Conduct Rules 2711(i) and 3010(a) and FINRA Rule 2010, for the period from December 15, 2008 through June 10, 2010.

Research Analyst and Research Report Disclosure Violations

During the period from July 8, 2008 through June 10, 2010, WSI issued equity research reports that failed to comply with the disclosure requirements of NASD Conduct Rule 2711(h), as detailed below:

- (a) In the case of 25 research reports in which WSI disclosed that it had served as a manager or a co-manager of a public offering of securities for the subject company in the preceding 12-month period, WSI failed to disclose also that it had received compensation from the subject company for investment-banking services rendered in connection with the public offering.
- (b) One research report failed to disclose that WSI had served as a manager or a co-manager of a public offering of securities for the subject company in the preceding 12-

month period.

- (c) Five research reports failed to disclose that WSI was a market maker in the subject company's securities at the time that the report was published.
- (d) Thirteen research reports were issued with the following indefinite disclosure regarding financial interests held in the securities of the subject company: "At the time of this report, an affiliate of Wunderlich Securities and/or its client may own shares of common equity securities of [the subject company.]" NASD Notice to Members 04-18 provides guidance regarding the application of NASD Rule 2711(h), stating that "[m]embers may not use conditional or indefinite language in required disclosures, such as 'may have a position' ... in any of the subject company's securities[.]"
- (e) Four research reports were issued with disclosures not prominently presented. Specifically, the first page of the subject reports referred readers to "end of report" for important disclosures.

In addition, during the stated period, WSI, in connection with two public appearances by WSI research department personnel, failed to disclose its receipt of compensation from the subject company in the preceding 12-month period.

Such acts, practices, and conduct constitute separate and distinct violations by WSI of NASD Conduct Rules 2711(h) and 2110, for the period from July 8, 2008 through December 14, 2008, and NASD Conduct Rule 2711(h) and FINRA Rule 2010, for the period from December 15, 2008 through June 10, 2010.

Communications with the Public

In or about July 2009, WSI maintained on its company website a list of all companies covered by its research analysts and for each company listed, provided WSI's current rating (i.e., Buy, Sell or Hold) and price target for the company's stock. WSI failed, however, to include with that public communication the disclosures mandated by NASD Conduct Rule 2210(d) and IM-2210-1(6)(A), with respect to potential conflicts of interest.

By reason of the foregoing, WSI violated NASD Conduct Rule 2210, IM-2210-1(6)(A), and FINRA Rule 2010.

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

- a censure, and
- a fine in the amount of \$50,000

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

WSI 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

WSI 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 to 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, WSI 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.

WSI further specifically and voluntarily waive 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

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

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

WSI certifies that it 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 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 WSI to submit it.

08/10/2011
Date (mm/dd/yyyy)

Robert J. Corne
Respondent Wunderlich Securities, Inc.

By: Robert J. Corne, CPU

Reviewed by:

Lisa L. Sharpe
Counsel for Respondent

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Accepted by FINRA:

October 25, 2011
Date

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

Mark J. Fernandez /az
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