

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010021157902**

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

RE: A.B. Watley Direct, Inc. (BD No. 18663)
Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, A.B. Watley Direct, Inc. ("ABW Direct" 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 Respondent 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

ABW Direct has been a FINRA member firm since on or about February 3, 1987. It was originally known as Hilton Capital Markets, Inc. until it was purchased and renamed Integrated Clearing Solutions, Inc by its current non-broker-dealer parent company A.B. Watley Group, Inc. ("ABW Group"). It was renamed ABW Direct in June 2003.

The firm's primary business is retail brokerage services offered through an online trading platform. The firm operates from a single office in New York City. The firm currently employs five registered representatives.

RELEVANT DISCIPLINARY HISTORY

ABW Direct has the following relevant disciplinary history:

- On or about March 16, 2010, FINRA accepted an Offer of Settlement from ABW Direct wherein the firm was fined \$125,000, censured, required to retain an independent consultant to review the firm's Anti-Money Laundering ("AML") procedures and systems and the firm's principals were required to undertake AML training. The firm consented to the entry of findings that: the firm, acting through its then AMLCO, operated an AML program that was inadequate and failed to detect and investigate suspicious activity, failed to perform required independent AML testing and performed an inadequate test in one year in violation of NASD Conduct Rules 3011 and 2110; the firm, acting through its then president and its financial and operations principal, conducted a securities business while under its minimum net capital requirement in violation of SEC Rule 15c3-1 and NASD Rule 2110; made inaccurate FOCUS filings in violation of SEC Rule 17a-5 and NASD Conduct Rule 2110; and failed to maintain and preserve emails in violation of SEC Rule 17a-4, and NASD Rules 3110 and 2110.

ABW Direct has no additional relevant disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities regulator within the past five years.

OVERVIEW

This case involves violations that ABW Direct:

- operated without two registered General Securities Principals ("GSP") for a two year period;
- operated without a Registered Options and Securities Futures Principal ("ROSFP") for two months at a time when the firm was engaged in an options business; and
- failed to conduct independent testing of the firm's AML program during 2009.

FACTS AND VIOLATIVE CONDUCT

1. During the period from January 2009 through January 2011, ABW Direct failed to employ two registered GSPs as required by NASD Membership and Registration Rule 1021(e). ABW Direct did not have a waiver from FINRA with respect to this requirement. By reason of the foregoing, ABW Direct violated NASD Membership and Registration Rule 1021(e) and FINRA Rule 2010.
2. During the period from July 22, 2010 to September 23, 2010, when it was engaged in an options business, ABW Direct failed to employ a ROSFP. By

reason of the foregoing, ABW Direct violated NASD Membership and Registration Rule 1022 and FINRA Rule 2010.

3. ABW Direct failed to perform independent testing of its AML program during calendar year 2009. By reason of the foregoing, ABW Direct violated NASD Conduct Rule 3011 and FINRA Rule 2010.

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

- a censure; and
- a fine in the amount of \$40,000.

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondent has submitted an Election of Payment form showing the method by which Respondent 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 sanctions 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 Respondent;
- 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 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

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 me; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent'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. 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- 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 Respondent to submit it.

9/12/12
Date

A. B. WATLEY DIRECT, INC. (BD NO. 18663)

By: [Signature]

Print Name: John Lantz

Title: Principal Officer

Accepted by FINRA:

October 10, 2012
Date

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

[Signature]

Frank M. Weber
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