

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100214807**

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

RE: Edwin J. Carey, III, Respondent
General Securities Representative
General Securities Principal
Equity Trader Limited Representative
CRD No. 1658559

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Edwin Carey ("Carey"), submit 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 me 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

Carey entered the securities industry on December 2, 1988 and became registered with National Financial Services ("NFS") and worked in its trading division, Fidelity Capital Markets ("FCM") from March 2001 to May 2005 and then from June 2005 until his termination in October 2008. Carey has been registered with another member firm from June 2009 to the present. Carey holds NASD Series 7, 9, 24, 55, and 63 licenses.

RELEVANT DISCIPLINARY HISTORY

Carey has no disciplinary history.

OVERVIEW

During the period February 2007 to February 2008, while an NFS registered representative, Carey failed to observe high standards of commercial honor and just and equitable principles of trade in violation of NASD Rule 2110 in that he did not properly safeguard customer block order

information and refrain from conduct that could disadvantage or harm the execution of his customer's block orders. Specifically, Carey improperly provided customer block order information to a purported potential contra-party on ten occasions, which the contra-party then used to front-run the block orders.

FACTS AND VIOLATIVE CONDUCT

1. Communicating Customer Order Information When Finding the Other Side of a Trade

A broker-dealer has an obligation to safeguard information concerning a customer's order and must seek for its customer's order the most favorable terms reasonably available under the circumstances. In meeting its best execution obligations, a broker-dealer must refrain from conduct that could disadvantage or harm the execution of a customer's order. Consistent with these obligations, a trader should disclose as little customer order information as necessary to achieve best execution for the original customer and should not disclose information that could disadvantage that customer.

2. Carey Improperly Communicated Customer Order Information

As a trader on FCM's Institutional Sales Desk, Carey solicited potential contra-side parties to take the other side of customer block orders. In the course of finding the other side, on ten occasions Carey provided a purported potential contra-party, PL, with information about block orders that was inappropriate under the circumstances. On one of these occasions, Carey disclosed to PL the block order customer's identity. On the nine other occasions, Carey improperly provided PL with detailed information regarding the block order limit price and, in some instances, information about the size of the order. Although each of these nine block orders was 75% or more of the three-month average daily trading volume for the security and large enough that it could impact the market, Carey disclosed to PL the block order limit price for a buy order that was above market, or the block order limit price for a sell order that was below market. For six of these nine block orders, Carey also disclosed to PL the approximate or actual size of the block orders in the absence of a live contra-side order from PL. Carey should not have provided this information to PL because it did not further the goal of obtaining best execution for its customer. Carey also could have disadvantaged the block order customer by disclosing this information.

Carey did not have sufficient basis to believe that PL would trade in a portion of the ten block orders, much less do so in a substantial enough size to risk providing PL with information about the price and size of the block order. First, on four of the ten occasions PL had never before traded in the security at NFS. Second, PL did not identify any of the securities on its January 5, 2007 "Focus List," a list that identified securities in which PL was interested in trading. Third, in eight of the ten trades, PL took 5% or less of the block order. Fourth, PL's trading history demonstrated that it usually only took a very small percentage of a block order. These facts indicate that PL likely would not have had an interest in buying or selling the security and was not likely to take a large portion of the block order if it did decide to trade in the security. Carey therefore had insufficient reason to believe that providing PL with the order information would achieve best execution for the block order customer.

The chart below contains details about the ten block orders and PL's trading history in the securities.

Stock/ Trade Date	Block Order as % of 3- Month ADTV	Number of PL Trade Dates	Block Order Side	Price Disclosure	Disclosed Order Size Absent Live Order	Client ID Disclosure	% of Block Order Taken by PL
ACLS (11/30/ 07)	75.6%	14 of 14	Buy	Disclosed limit price of \$4.54 when market price was \$4.48	No	No	1%
AEY (2/11/ 08)	349.7%	1	Sell	Disclosed limit price of \$4.30 when market price was \$4.46	Yes	No	29%
BLT (9/10/ 07)	112.2%	2 of 3	Sell	Disclosed limit price of \$12.40 when market price was \$12.47	Yes	No	2%
BLT (9/12/ 07)	131.9%	3 of 3	Sell	Disclosed limit price of \$12.54 when the market price was \$12.57	Yes	No	4%
BNE (2/23/ 07)	199.7%	1 of 2	Buy	Disclosed limit price of \$15.90 when the market price was \$15.76	No	No	5%
LIZ (11/8/ 07)	N/A	1	Buy	No	No	Yes	17%
XRM (10/11/ 07)	141%	1 of 4	Sell	Disclosed limit price of \$5.79 when market price was \$5.96	Yes	No	0%
XRM (11/1/ 07)	190.1%	3 of 4	Sell	Disclosed limit price of \$4.00 when market price was \$4.05	Yes	No	3%
XRM (11/2/ 07)	550.9%	4 of 4	Sell	Disclosed limit price of \$3.80 when market price was \$3.89	No	No	4%

3. PL Used the Order Information to Front-Run the Block Orders

PL used the information it received from Carey about the ten block orders to front-run the block order customers. After receiving the block order information from Carey, PL executed "round trip" trades in the security (i.e., buying and selling a position in a security the same day), while the block order was pending. PL traded on the same side of the block order by auto-executing through a third-party direct access platform. PL then submitted to Carey orders on the contra-side of the customer order and Carey manually executed those orders. Carey did not see the trades executed through the direct access platform. By trading on the same side of pending block orders,

PL may have been able to achieve a more favorable price for the securities, while depriving the block order customers of best execution for their orders.

By failing to properly safeguard customer block order information and refrain from conduct that could disadvantage or harm the execution of his customers' block orders, Carey, in the conduct of his business, failed to observe high standards of commercial honor and just and equitable principles of trade in violation of NASD Rule 2110.

B. I also consent to the imposition of the following sanctions:

A 15 business-day suspension from association with any FINRA member firm in any capacity and a \$15,000 fine.

Respondent has submitted a sworn financial statement and demonstrated a limited ability to pay. In light of the financial status of Respondent, a fine of \$15,000 has been imposed.

My limited ability to pay has been considered in connection with the monetary sanctions imposed in this matter. I specifically and voluntarily waive any right to claim that I am unable to pay at any time hereafter the monetary sanction imposed in this matter.

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

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See FINRA Rules 8310 and 8311.)

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

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

A. To have a Complaint issued specifying the allegations against me;

- 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, I specifically and voluntarily waive 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.

I 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

I understand 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 my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure

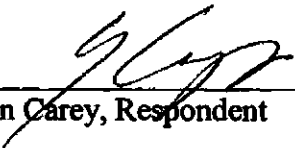
program in response to public inquiries about my disciplinary record;

3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. I 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. I 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.

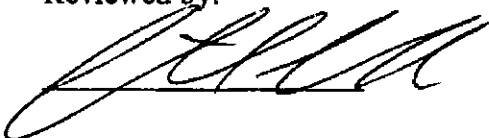
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me to submit it.

10-9-2012
Date


Edwin Carey, Respondent

Reviewed by:



Jonathan Sack, Esq.
Counsel for Respondent
Morvillo, Abramowitz, Grand, Iason, Anello & Bohrer, P.C.
565 Fifth Avenue
New York, NY 10017
Tel: (212) 880-9410
Fax: (212) 856-9494

Accepted by FINRA:

10/18/2012
Date

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



Susan M. Schroeder
Deputy Counsel
FINRA Department of Enforcement
One World Financial Center
200 Liberty Street
New York, New York 10281
Tel: (646) 315-7466
Fax: (646) 315-7442