

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010022046701**

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

RE: Regal Securities, Inc., Respondent
CRD No. 7297

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Regal Securities, Inc. ("Regal Securities" or the "firm") 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. Regal Securities 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

Regal Securities provides a full service brokerage as well as a discount brokerage. The firm has been registered with FINRA since November 22, 1976 and became registered with the Securities and Exchange Commission on June 24, 1977 as a broker dealer. Regal has 28 branch offices and 136 registered representatives. The firm's registrations with FINRA and the SEC remain currently in effect.

OVERVIEW

Between 2001 and September 2008, Regal Securities permitted its representatives to place personal trades in the firm's inventory account. During this time, the firm failed to establish and maintain an adequate supervisory system, including written procedures, designed to oversee the personal trading within the firm's inventory account. These deficiencies violated NASD Rules 3010(a) and 3010(b).

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FACTS AND VIOLATIVE CONDUCT

Between 2001 and 2008, Regal Securities permitted its registered representatives to use the firm's inventory accounts for personal trades. The firm permitted this activity to give the registered representatives the benefit of average pricing to manage several personal accounts and for simple general convenience. Any trades placed by employees in the firm's accounts were to be booked to the employees' personal accounts by the end of the trading day.

Between 2005 and 2008, Daniel Chrusciel¹ was responsible for processing trade orders for the firm's discount brokerage clients. His responsibilities included processing trades for customers who subscribed to third-party advisory services that made recommendations to clients, which were then executed in their Regal Securities accounts. In connection with these duties, Chrusciel had access to the firm's inventory account, which he used to process the trades made based on the recommendations from the third-party advisors.

Between 2006 and mid-2008, Chrusciel fraudulently deprived customers of best execution in 18 instances. Chrusciel processed options trades in his firm's inventory account that were then executed by the firm's clearing firm. Chrusciel credited customer accounts with inferior prices to the actual street price. Chrusciel then created a fictitious transaction to journal a portion of the difference between the street price and the inferior price booked to client accounts from the inventory account to Chrusciel's personal accounts.² By filling customer trades with inferior prices, Chrusciel misappropriated \$1,305 from the firm's customers.

Though the firm permitted personal trading in the firm's inventory account, the firm had no supervisory system or procedure (written or otherwise) to detect if employees were engaging in fraudulent activities. The firm had no way of identifying whether a trade that occurred within the inventory account was a customer's transaction or a personal trade by one of its registered representatives. Chrusciel exploited this lack of oversight to misappropriate money from the firm's customers.

Based on the foregoing, Regal Securities violated NASD Rules 3010(a) and 3010(b).

¹ CRD No. 3115405

² For example, on December 20, 2006, Chrusciel entered a sell to open trade in the Average Price account for 83 option contracts at \$.80 then booked the trades to the customer accounts at \$.75 which resulted in a cost differential of \$415.00 (\$.05 multiplied by 83 contracts). In order to move a portion of the proceeds to his personal account, he then bought and sold one contract on the street for \$1.10 but booked these trades to his account as a buy to open 1 at \$1.10 and sell to close 1 at \$4.60, which in effect moved \$350.00 of the \$415.00 from the firm's Average Price Account to his personal account. Chrusciel did not always journal the full amount of the profit to his personal account because the available buying power in his accounts would not support a transaction large enough to do so and he did not want to raise any suspicions regarding this activity. In total, Chrusciel used this method to convert \$1,305.00 from the firm's Average Price Account.

- B. Regal Securities also consent to the imposition of the following sanctions:

A censure and a \$15,000 fine.

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

Regal Securities specifically and voluntarily waive 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

Regal Securities specifically and voluntarily waive 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, Regal Securities 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.

Regal Securities 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

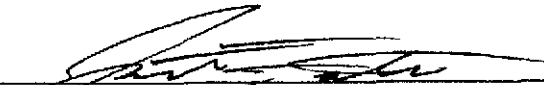
Regal Securities understands that:

- 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; and
- C. If accepted:
 - 1. this AWC will become part of the firm'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 the firm'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. Regal Securities 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. Regal Securities 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 the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Regal Securities 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.

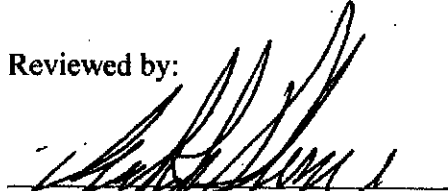
The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf of the firm has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that the firm has agreed to its provisions voluntarily; and that 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.

12-7-10
Date


Regal Securities, Inc.

By: JOHN T. FASTOL, PRESIDENT / CEO

Reviewed by:

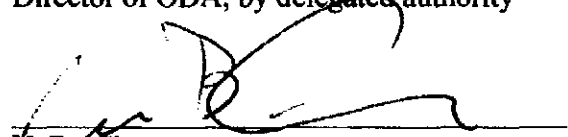


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Accepted by FINRA:

2-9-11
Date

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



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CORRECTIVE ACTION STATEMENT BY REGAL SECURITIES, INC.

Over the past two years, Regal has implemented a number of corrective actions and procedures relating to both the trading in employee accounts held at Regal as well as the monitoring of the average price/inventory account(s). All employee related Regal accounts have been given a unique account series code and are reviewed regularly by Regal's compliance and operations departments to insure that no prohibited activity is occurring in those accounts. This oversight is assisted by the Protogent compliance system (an electronic detailed analysis of daily trading) that Regal has implemented. Regal has also banned all employee trading of any type in the average price/inventory account(s). In addition, Mr. Chrusciel has been terminated by Regal. Regal has fully compensated all customers who were disadvantaged by Mr. Chrusciel's actions, and the total amount of \$1,305 has been paid back to these customers.

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.