

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100235175**

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

RE: Clearview Correspondent Services, LLC ("Clearview" or the "Firm"), Respondent
CRD No. 142785

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, 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

Clearview was established in 2006 as a broker-dealer to provide correspondent clearing services to other broker-dealers. Clearview is a wholly-owned subsidiary of BB&T Corporation, a financial services holding company headquartered in Winston-Salem, North Carolina. In October 2007, Clearview commenced operations as a registered broker-dealer. During all relevant times, Clearview was a registered broker-dealer with the Securities and Exchange Commission (the "SEC") and a member of FINRA. Clearview's registration and membership are currently in effect.

As a correspondent clearing firm, Clearview provides clearing services to affiliated and unaffiliated broker-dealers on a fully disclosed basis. Clearview does not carry customer accounts of its own, but only accepts accounts from introducing firms. Clearview is an affiliate of Scott & Stringfellow, LLC, which accounted for approximately 96% of the Firm's transaction revenue in 2008.

OVERVIEW

Between October 17, 2008 and approximately September 30, 2009 (the “Relevant Period”), the Firm violated Rule 204T(a) and Rule 204(a) of Regulation SHO by failing to close out fail to deliver positions in: (1) short sales by the beginning of regular trading hours on the settlement day following the settlement date, and (2) long sales by the beginning of regular trading hours on the third settlement day following the settlement date. The Firm also violated Rule 204T(c) and Rule 204(c) of Regulation SHO by failing to notify brokers or dealers from which it received trades for clearance and settlement that fail to deliver positions in equity securities had not been closed out in accordance with Rule 204T(a) and Rule 204(a).

In addition, the Firm violated NASD Rule 3010 when it failed to establish and maintain supervisory procedures reasonably designed to ensure compliance with Rule 204T and Rule 204. As a result of its failures to comply with Regulation SHO and enforce supervisory procedures related to Regulation SHO, the Firm also violated NASD Conduct Rule 2110 and FINRA Conduct Rule 2010.¹

FACTS AND VIOLATIVE CONDUCT

Violation of Rule 204T(a) and (c) and Rule 204(a) and (c) of Regulation SHO

Regulation SHO established a regulatory framework to govern short sales. Among other things, Regulation SHO attempted to reduce fails to deliver in certain equity securities by imposing a “close-out” requirement. A “fail to deliver” occurs when a broker-dealer fails to deliver securities to the party on the other side of the transaction on the settlement date (*i.e.*, the third day after the trade date).

On October 17, 2008, in order to address concerns over “naked” short-selling and general market upheaval, the SEC adopted temporary Rule 204T to enhance the close-out requirement of Regulation SHO. Specifically, Rule 204T shortened the time-frame within which fail to deliver positions must be closed out to three days from the original 13 days, and applied the close-out requirement to *all* equity securities, not just threshold securities.²

Rule 204T was in effect from October 17, 2008 through July 30, 2009. On July 31, 2009, the SEC made permanent the amendments in Rule 204T by adopting Rule 204 of Regulation SHO under the Securities Exchange Act of 1934

¹ See FINRA Regulatory Notice 08-57, which describes certain changes to FINRA’s rules, including the change of NASD Rule 2110 to FINRA Rule 2010, effective December 15, 2008.

² Threshold securities are equity securities that have an aggregate fail to deliver position for: (i) five consecutive settlement days at a registered clearing agency [*e.g.*, National Securities Clearing Corporation]; (ii) totaling 10,000 shares or more; and (iii) equal to at least 0.5% of the issuer’s total shares outstanding.

("Exchange Act"). Rule 204 and Rule 204T remained substantially the same with respect to enhancing the close-out requirements for failures to deliver securities resulting from sales of any equity security.

Rule 204T(a) and Rule 204(a)

Rule 204T(a) and Rule 204(a) require that participants³ of a registered clearing agency deliver securities by settlement date on a long or short sale in any equity security by the third day after the trade date ("T+3"). If the participants have not delivered the securities by settlement date, thereby causing a fail to deliver position in that security, the participant must immediately purchase or borrow securities of like kind and quantity to close out the fail to deliver position by no later than the beginning of regular trading hours on the settlement day following the settlement date, *i.e.*, the fourth day after the trade date ("T+4"), subject to certain exceptions.⁴ If the participant can demonstrate that the fail to deliver position resulted from a long sale or certain bona-fide market making activity, the fail to deliver position must be closed out by no later than the beginning of regular trading hours on the *third* settlement day after settlement date, *i.e.* trade date plus six days ("T+6"). Failure to comply with these close-out requirements is a violation of Rule 204T and Rule 204.

The Firm was not in compliance with Rules 204T(a) and 204(a) from the initial effective date of Rule 204T on October 17, 2008 until approximately September 30, 2009, when FINRA notified the Firm of its deficiencies and the Firm responded by remedying its relevant supervisory systems and procedures.

During the Relevant Period, the Firm failed to close-out fail to deliver positions in accordance with the enhanced requirements under Rule 204T(a) and Rule 204(a). For a three-month sample period tested from July 1, 2009 to September 30, 2009, Enforcement found that the Firm failed to close out approximately 27 fail to deliver positions in accordance with the provisions of Rule 204T(a) and Rule 204(a). Some of these fail to deliver positions persisted for extended periods of time, up to as many as 30 days or more. Given that the Firm failed to comply with Rules 204T(a) and 204(a) for nearly one year, the 27 instances in which the Firm failed to close out a fail to deliver position during the three-month sample period indicate that the Firm likely failed to close out more than 100 fail to deliver positions in violation of Rule 204T(a) and Rule 204(a) during the Relevant Period.

³ For purposes of this section, the term *participant* has the same meaning as in section 3(a)(24) of the Exchange Act (15 U.S.C. 78c(a)(24)), which states, "the term participant when used with respect to a clearing agency means any person who uses a clearing agency to clear or settle securities transactions or to transfer, pledge, lend, or hypothecate securities. Such term does not include a person whose only use of a clearing agency is (A) through another person who is a participant or (B) as a pledgee of securities."

⁴ If the fail to deliver results from a sale of certain restricted securities, the period in which to close out the fail to deliver position is extended to 35 days after trade date.

Rule 204T(c) and Rule 204(c)

Rule 204T(c) and Rule 204(c) require that the clearing agency must notify any broker or dealer from which it receives trades for clearance and settlement: (1) that a fail to deliver position in an equity security has not been closed out in accordance with Rule 204(a), including any market maker that would otherwise be entitled to rely on the exception provided in Rule 242.203(b)(2)(iii), and (2) when the participant makes a purchase to close out the fail to deliver position and that purchase has cleared and settled at a registered clearing agency.

During the Relevant Period, because the Firm was not monitoring its fail to deliver positions in accordance with Rule 204T(a) and Rule 204(a), the Firm also failed to provide notification to brokers and dealers from whom it accepted trades for clearance and settlement that it had failed to close-out fail to deliver positions in equity securities as proscribed by Rule 204T(a) and Rule 204(a). Therefore, the Firm also violated Rule 204T(c) and Rule 204(c).

Failure to Supervise Compliance with Rule 204T and Rule 204

NASD Rule 3010(a) requires firms to “establish and maintain a system to supervise activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD rules.” Under NASD Rule 3010(b), firms must document its supervisory system in written procedures and maintain and enforce those procedures.

The Firm Failed to Follow its Own Written Supervisory Procedures Relating to Rule 204T(a) and Rule 204(a)

During the Relevant Period, the Firm failed to implement supervisory procedures and systems that were reasonably designed to ensure compliance with Rule 204T and Rule 204 of Regulation SHO. The Firm adopted new written supervisory procedures (“WSPs”) to comport with most of the requirements under Rule 204T on or about December 18, 2008. Further, on or about November 3, 2009, the Firm amended its WSPs to indicate that the interim Rule 204T had been made permanent in the form of Rule 204.

While the Firm adopted policies and procedures that comported with the specific enhanced close-out requirements of Rule 204T(a) and Rule 204(a) during the Relevant Period, the Firm did not in fact follow these procedures. The Firm failed to supervise Firm staff responsible for monitoring the Firm’s fail to deliver obligations to ensure that they adequately understood the impact of the changes under Rule 204T(a) and Rule 204(a). As a result, Firm staff did not close out fail to deliver positions in accordance with these new rules. Instead, Firm employees continued to follow the requirements for closing out fail to deliver positions in equity securities in accordance with the rules in place prior to the enhanced

delivery and close out requirements imposed by Rule 204T(a) and Rule 204(a).⁵ According to the Firm's procedures in place prior to Rule 204T(a) and 204(a), the Firm was required to close-out fail to deliver positions in threshold securities by the thirteenth day after trade date ("T+13").

It was not until September 2009, that the Firm began to reasonably supervise its compliance with Rule 204T(a) and Rule 204(a). Accordingly, the Firm violated NASD Rules 3010(a) and (b), 2110 and FINRA Rule 2010.

Failure to Have WSPs Related to Rule 204T(c) and Rule 204(c)

In addition, the Firm failed to have any WSPs in place that addressed the notification requirements of Rule 204T(c) and Rule 204(c) until September 2009. As a result, for each violation of Rule 204T(a) and Rule 204T during the Relevant Period, the Firm also violated Rule 204T(c) and Rule 204(c) by failing to provide the required notifications to broker or dealers from whom it accepted trades for clearance and settlement that it had failed to close-out fail to deliver positions in equity securities. Accordingly, the Firm violated NASD Rules 3010(a) and (b), 2110 and FINRA Rule 2010.

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

- Censure; and a
- Fine of \$100,000.

Respondent agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. Respondent has submitted an Election of Payment form showing the method by which it 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 sanction(s) imposed in this matter.

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

⁵ In accordance with Rule 203(b)(3) of Regulation SHO, fail to deliver positions in threshold securities are to be closed out by the thirteenth consecutive settlement day, except for certain threshold securities which had been previously grandfathered from the close out provision that were to be closed out within thirty-five consecutive settlement days. The close out and delivery rules in existence under Regulation SHO prior to Rules 204 and 204T do not provide for a time limitation under which fail to deliver positions in *non-threshold* securities are to be closed out.

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 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

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 Respondent; 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 Respondent's 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 the Firm, certifies that a person duly authorized to act on the Firm's 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 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.

06/01/2012
Date (mm/dd/yyyy)


Respondent
Clearview Correspondent Services, LLC

By: Bill Robbins, President + CEO
Name and Title

By: _____
Name and Title

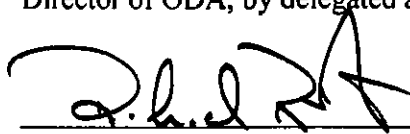
Reviewed by:


Thomas J. McGonigle, Esq.
Counsel for Respondent
Murphy & McGonigle
555 13th Street, N.W.
Suite 410 West
Washington, DC 20004
202-661-7010

Accepted by FINRA:

6-20-12
Date

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

A handwritten signature in black ink, appearing to read 'R. Best', is written over a horizontal line.

Richard R. Best
Chief Counsel
FINRA Department of Enforcement
One World Financial Center
200 Liberty Street
New York, NY 10281-10003
646-315-7308