

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100235371-01**

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

RE: Jeffrey N. Lombardi, Respondent
General Securities Principal
CRD No. 2625940

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Jeffrey N. Lombardi ("Lombardi" 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 him 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

Respondent was first registered with FINRA through a former member firm as a General Securities Representative ("GSR") on December 7, 1995, and through a member firm as a General Securities Sales Supervisor ("SU") on February 16, 2000, and as a General Securities Principal ("GSP") on October 11, 2004.

From April 23, 2008 until January 16, 2009, Respondent was registered with FINRA through a different member firm ("Firm 1") as a GSR, SU and GSP.

Since November 17, 2009, Respondent has been registered with FINRA through another member firm as a GSR, SU and GSP, and remains subject to FINRA's jurisdiction.

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RELEVANT DISCIPLINARY HISTORY

Respondent has no disciplinary history with the Securities and Exchange Commission ("SEC"), any self-regulatory organization or any state securities regulator.

OVERVIEW

While employed as a senior compliance analyst at Firm 1, Respondent on three separate dates improperly transferred confidential and proprietary information outside of Firm 1 for purposes other than Firm 1's business. Specifically:

- (1) On October 16, 2008, Respondent sent to a non-affiliated, third-party member firm ("Firm 2") two internal compliance reports of Firm 1. One of the reports contained non-public personal information regarding six customers of Firm 1;
- (2) On January 9, 2009, Respondent sent to his personal email address two internal documents of Firm 1. One document was an internal report by Firm 1, which included non-public personal information of 70 individuals derived from a request by Financial Crimes Enforcement Network ("FinCEN") of the U.S. Department of Treasury, pursuant to Section 314(a) of the USA PATRIOT Act of 2001 ("PATRIOT Act"). The second document that Respondent sent to his personal email address was Firm 1's internal summary regarding certain registration requirements; and
- (3) On January 12, 2009, Respondent sent to his personal email address three documents with non-public personal information of another customer of Firm 1.

In each of the above instances, Respondent acted without Firm 1's authorization and knowledge, and contrary to Firm 1's written policies and procedures.

Additionally, by sending a report on October 16, 2008, with confidential, non-public personal information of customers to a non-affiliated third party, Respondent caused Firm 1 to violate SEC Regulation S-P.

Furthermore, by transferring information on January 9, 2009 from a FinCEN list to his personal email account, Respondent acted for purposes other than provided for under FinCEN regulations, and thereby, caused Firm 1 to violate FinCEN's regulations.

By reason of the foregoing, Respondent violated NASD Conduct Rule 2110 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. From April 23, 2008 through January 16, 2009, Respondent worked as a senior compliance analyst in the compliance department at Firm 1.

2. At all relevant times, Respondent knew of Firm 1's policies regarding the dissemination of confidential and/or proprietary information.
3. Specifically, on March 4, 2008, Respondent signed an affirmation that he had read and would comply with a Code of Business Conduct and Ethics ("Code of Conduct") applicable to Firm 1 employees. The Code of Conduct provided, in pertinent part:
 - Employees must "maintain the confidentiality of information entrusted to them by the company or that otherwise comes into their possession during the course of employment, except where disclosure is authorized or legally mandated."
 - "Confidential information includes all nonpublic information that may be of use to competitors or harmful to the company or its customers if disclosed."
 - Firm 1 is "subject to SEC regulation SP," and that "all employees . . . have an obligation to maintain the privacy of information supplied to us by customers."
 - Employees must protect proprietary information, including "any information not generally known to the public or would be helpful to our competitors."
4. Respondent also signed a certification on March 4, 2008 that he had read and would comply with Firm 1's written policy governing use of office equipment, which in pertinent part, provided:

"Employees may not send any personal information about clients, customers or employees in any electronic communication, including, among other things, personal financial information, personal identity information, unless authorized to do so and approved safeguards are in place to prevent unauthorized disclosure . . ."
5. Additionally, on April, 23, 2008, Respondent signed a registered representative agreement in which he agreed that confidential and proprietary information about Firm 1 and/or about existing and prospective customers of Firm 1 may not be disseminated without requisite permission, and agreed to safeguard confidential and proprietary information from disclosure.
6. At all relevant times, Respondent knew or should have known that SEC Regulation S-P prohibits financial institutions from disclosing non-public personal information about a customer to non-affiliated third parties unless certain notice is given to the customer and the customer has not elected to opt out of the proposed disclosure.¹

¹ 17 C.F.R. 248.10; "Confidential Customer Information," *NASD Notice to Members 00-66* (Sept. 2000).

7. At all relevant times, Respondent knew or should have known that information derived from a FinCEN request may not be used for any purpose other than in accordance with FinCEN regulations. FinCEN issues requests to designated contacts within financial institutions, pursuant to Section 314(a) of the PATRIOT Act. Those requests require the financial institution to search their records to determine whether they maintain or have maintained any account for, or have engaged in any transaction with individuals, entities or organizations on a FinCEN list of persons who may be involved in terrorism or money laundering.² Financial institutions may not use information provided by FinCEN for any purpose other than reporting to FinCEN, determining whether to establish or maintain an account or to engage in a transaction or assisting the financial institution in complying with FinCEN's request.³

October 16, 2008

8. On October 16, 2008, Respondent emailed from Firm 1 to a senior fraud manager at Firm 2 two monthly compliance reports that he had prepared for Firm 1. These internal reports were the property of Firm 1. The reports contained proprietary information of Firm 1 in the form of summary information and trend analysis concerning activities at Firm 1 and matters escalated within the compliance department. One report also contained nonpublic personal information regarding six customers of Firm 1, including their names, and in four instances, their account numbers. Firm 1 had no affiliation with Firm 2.

January 9, 2009

9. On January 9, 2009, after notifying Firm 1 of his intent to resign, Respondent emailed from Firm 1 to his own personal email account, for his own use, two documents containing proprietary information of Firm 1 and nonpublic personal information of various individuals. The first document was a spreadsheet prepared by Firm 1 that contained nonpublic personal information of 70 different individuals. The spreadsheet included individual names, addresses, tax identification numbers, driver's licenses and social security numbers. This information had been downloaded from a list provided by FinCEN as part of a FinCEN request pursuant to Section 314(a) of the PATRIOT Act. The FinCEN request directed financial institutions to locate accounts and transactions of persons on FinCEN's list of persons who may be involved in terrorism or money laundering. The second document that Respondent sent to his personal email address was Firm 1's internal summary of certain registration requirements for the Firm's representatives.

January 12, 2009

10. On January 12, 2009, Respondent emailed from Firm 1 to his own personal email account, for his own use, three documents with nonpublic personal information of a customer of Firm 1. The documents included an earnings statement from the customer's employer, a completed new account form, with account numbers and personal financial information, the

² 31 C.F.R. 103.100(b)(2)(i) and (ii); "Anti-Money Laundering," *Special NASD Notice to Members 02-21*, at 12 (April 2002).

³ 31 C.F.R. 103.100(b)(2)(iv).

customer's driver's license and resident card (with the customer's personal identification number). Respondent had gathered the documents during the course of an internal investigation at Firm 1. The investigation was closed before Respondent sent the documents to his own personal account.

11. In each instance above, Respondent acted for purposes other than the business of Firm 1, without Firm 1's authorization and knowledge, and contrary to Firm 1's written policies and procedures.
12. Additionally, by sending a report on October 16, 2008, with confidential, non-public personal information of customers to a non-affiliated third party, Respondent caused Firm 1 to violate SEC Regulation S-P.
13. Furthermore, by transferring information on January 9, 2009 from a FinCEN list to his personal email account, Respondent acted for purposes other than provided for under FinCEN regulations, and thereby, caused Firm 1 to violate FinCEN's regulations.
14. By reason of the foregoing, Respondent violated NASD Conduct Rule 2110 and FINRA Rule 2010.

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

- o A suspension from associating with any member firm in any capacity for fifteen (15) business days; and
- o A fine of \$5,000.

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 he proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that he 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.

Respondent understands that if he is suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the suspension (see FINRA Rules 8310 and 8311).

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 him;
- 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 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

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any of the allegations against Respondent; and

MUNZER & SAUNDERS, LLP.

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 him;
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 he 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.

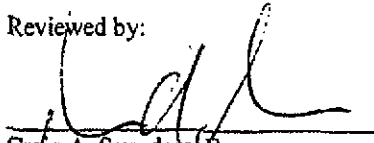
Jeffrey N. Lombardi certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce him to submit it.

02/22/2011

Date (mm/dd/yyyy)


Jeffrey N. Lombardi, Respondent

Reviewed by:

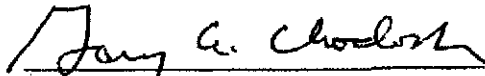


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(212) 755-0008

Accepted by FINRA:

April 19, 2011
Date

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



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