

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010023826301**

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

RE: Cambridge Investment Research, Inc., Respondent
CRD No. 39543

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Cambridge Investment Research, Inc. ("Cambridge" or the firm) 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 Cambridge alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Cambridge 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

Cambridge has been a FINRA member since December 1995. Cambridge is headquartered in Fairfield, Iowa and contracts with 3,044 registered individuals in 1,530 branch offices. Cambridge conducts a general securities business, and the firm's customer base consists of primarily retail customers. During all periods mentioned herein, Cambridge was a registered broker-dealer with FINRA, which registration currently remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has no relevant disciplinary history.

OVERVIEW

From January 2009 to July 2010 (the "Relevant Period"), Cambridge failed to ensure that the firm preserved, maintained and reviewed the business emails of two of its registered

representatives. In that time frame, Cambridge was relying upon its representatives to forward copies of their emails for archiving and review by a principal, but did not have effective procedures reasonably designed to ensure that the representatives actually forwarded emails, in violation of NASD Rule 3010(d) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

During the Relevant Period, Cambridge's written supervisory procedures required registered representatives to copy their email correspondence to a dedicated Cambridge email address, and to forward hard copies of branch office email correspondence to the home office through their OSJ supervisor, using a firm-created "Correspondence Transmittal Form." Additionally, Cambridge auditors were to confirm that registered representatives who used Outlook-based email systems implemented a setting that would automatically send all incoming and outgoing email to the dedicated Cambridge email address.

Cambridge's procedures, however, did not effectively ensure that the representatives actually forwarded all business-related emails to the dedicated email address as required by the firm's procedures. Moreover, the Correspondence Transmittal Form only required the branch office to send "*incoming and outgoing securities related client correspondence*" to the Cambridge home office. The Form was flawed because NASD Rule 3010(d) requires firms to review and retain all communications with the public relating to the firm's securities business, not just communications with clients. Due to the deficiencies in its procedures, Cambridge failed to detect the outside business activities and private securities transactions of two of its registered representatives.

As a result of its deficient email procedures, Cambridge violated NASD Rule 3010(d) and FINRA Rule 2010.

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

1. A censure; and
2. A fine of \$12,500.

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

Cambridge 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

Cambridge specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against Cambridge;
- 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, Cambridge 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.

Cambridge 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

Cambridge 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 Cambridge; and

C. If accepted:

1. this AWC will become part of Cambridge's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Cambridge;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Cambridge'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. Cambridge 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. Cambridge 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 Cambridge's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Cambridge may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Cambridge 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.

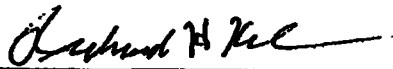
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Cambridge has agreed to its provisions voluntarily; and that no offer, 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.

Respondent Cambridge Investment Research,
Inc.

12/04/2013
Date (mm/dd/yyyy)

By: Thomas J. Anderson
Thomas J. Anderson, ECO

Reviewed by:



Richard H. Kuhlman
Counsel for Respondent
Bryan Cave LLP
One Metropolitan Square
211 North Broadway, Suite 3600
St. Louis, MO 63102-2750
(314) 259-2820

Accepted by FINRA:

12-31-13
Date

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



Seema Chawla
Principal Regional Counsel
FINRA Department of Enforcement
120 West 12th Street, Suite 800
Kansas City, MO 64105
Telephone: (816) 802-4712
Facsimile: (816) 421-4519
Email: seema.chawla@finra.org