

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010024282701**

**To: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)**

**Re: H.D. Vest Investment Services
(CRD No. 13686)**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, H.D. Vest Investment Services (H.D. Vest) 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 H.D. Vest alleging violations based on the same factual findings described herein.

I. ACCEPTANCE AND CONSENT

- A. H.D. Vest 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

H.D. Vest Investment Services became registered in 1983. The firm conducts a general securities business and has approximately 4,900 registered individuals and approximately 4,000 branch offices.

Relevant Disciplinary History

H.D. Vest has no relevant prior disciplinary action by FINRA.

Overview

This matter involves H.D. Vest's supervisory system and procedures for ensuring that it did not associate with statutorily disqualified individuals. Between July 2006 and September 2011, H.D. Vest failed to respond to or conduct appropriate follow-up regarding 25 Disclosure Letters that it received from FINRA's Central Registration Depository (CRD), which is the central licensing and registration system for the U.S. securities industry and its regulators. As a result, between July 2006 and January

2011, H.D. Vest allowed four statutorily disqualified individuals to register or associate with the firm.

Through this conduct, H.D. Vest violated NASD Conduct Rule 3010; FINRA By-Laws, Article III, Section 3; NASD Conduct Rule 2110; and FINRA Rule 2010.

Facts and Violative Conduct

Between 2007 and 2010, FINRA's Registration and Disclosure department sent H.D. Vest numerous electronic WebCRD letters. Each of these letters advised the firm of information that might have required the firm to amend the Uniform Application for Securities Industry Registration or Transfer for one of the firm's registered representatives. During this time period, H.D. Vest failed to respond to 25 WebCRD letters.

With respect to 19 of those 25 letters, H.D. Vest requested information from the registered representative mentioned in the letter, but did not receive a response from the representative. The firm failed to pursue any of these 19 letters further.

H.D. Vest took no action regarding the other six WebCRD letters. The firm explained to FINRA that there was internal confusion as to which department was responsible for monitoring and following up with CRD and the subject individuals.

As a result of its failure to respond appropriately to the CRD disclosure letters, the firm failed to learn the following:

- The State of North Dakota revoked the state securities registration of one of the firm's registered representatives after the representative assisted a client in the sale of a franchised business without obtaining the required notice or approval.
 - Another of the firm's registered representatives was convicted of a misdemeanor count of making a willful false statement in order to avoid paying state unemployment insurance.
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- A third registered representative of the firm was convicted of a felony charge for delivery of a controlled substance.
- A non-registered firm employee pleaded guilty to one count of bank embezzlement in violation of 18 U.S.C. § 656.

By virtue of this conduct, each of the four individuals was statutorily disqualified while associated with H.D. Vest. The lengths of time that these individuals were improperly associated with H.D. Vest were 25 months, 27 months, and 43 months.¹

Through this conduct, H.D. Vest violated FINRA By-Laws, Article III, Section 3; NASD Conduct Rule 2110; and FINRA Rule 2010.

The aforementioned failures were a direct outgrowth of inadequate written supervisory procedures at H.D. Vest between 2007 and 2010. The lack of effective supervisory procedures concerning the disclosure queue fostered confusion within the firm regarding who was responsible for monitoring CRD communications. As a result, the firm either failed to follow up on requests for information sent to registered representatives in response to disclosure letters, or failed to take any action whatsoever in response to those disclosure letters.

Through this conduct, H.D. Vest violated NASD Conduct Rules 3010 and 2110 and FINRA Rule 2010.

B. H.D. Vest Investment Services also consents to the imposition of the following sanctions:

1. Censure; and
2. a fine of \$50,000.

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

¹ One of the individuals – although statutorily disqualified – was permitted under the terms of Regulatory Notice 09-19 to continue his association with H.D. Vest without an application for readmission, provided the firm did not seek to register him as a principal.

H.D. Vest specifically and voluntarily waives 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

H.D. Vest specifically and voluntarily waives 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, H.D. Vest 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.

H.D. Vest 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

H.D. Vest 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 H.D. Vest; and
- C. If accepted:
 - 1. this AWC will become part of H.D. Vest's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against H.D. Vest;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about H.D. Vest'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. H.D. Vest 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. H.D. Vest 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 H.D. Vest's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. H.D. Vest may attach a Statement of Corrective Action to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. H.D. Vest 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 H.D. Vest, 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 H.D. Vest has agreed to its provisions voluntarily; and

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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 H.D. Vest to submit it.

H.D. VEST INVESTMENT SERVICES

Date: Jan. 11, 2013

By: 
Casey James Griffin
Chief Compliance Officer

Reviewed by:


Counsel for H.D. Vest Investment Services

Accepted by FINRA:

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

Date: 1-28-2013

By: 
Adam B. Walker
Principal Regional Counsel
FINRA, District 4
120 West 12th Street, Suite 800
Kansas City, MO 64105
Telephone: (816) 802-4751
Facsimile: (816) 421-4519