

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011025433901**

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

RE: Essex Securities, LLC (BD No. 46605),
Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Essex Securities, LLC ("Essex" or the "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

Essex has been a FINRA-registered broker-dealer since December 1998. The Firm is headquartered in Topsfield, MA and conducts a general securities business. Essex has approximately 50 registered representatives operating out of 26 branch offices.

RELEVANT DISCIPLINARY HISTORY

Essex has no prior disciplinary history with the Securities and Exchange Commission, any self-regulatory organization, or any state securities regulator.

OVERVIEW

From February 2010 through March 2011 (the "Relevant Period"), Essex, through one of its representatives, JT, violated NASD Rule 2310, IM-2310-2, and FINRA Rule 2010 by engaging in a pattern of unsuitable mutual fund switching in the accounts of seven customers. Further, Essex violated NASD Rule 3010 and FINRA Rule 2010 by failing to establish and maintain a supervisory system,

including written procedures, reasonably designed to prevent unsuitable mutual fund switching. As a result, at least seven customers paid excessive commissions in connection with unsuitable mutual fund switches.

FACTS AND VIOLATIVE CONDUCT

1. During the Relevant Period, the Firm, through registered representative JT, engaged in a pattern of unsuitable mutual fund switching in seven customer accounts, without having reasonable grounds for believing that such transactions were suitable for those customers, in view of the nature of the recommended transactions, the frequency of the transactions, and the transaction costs incurred. On at least 29 occasions, JT recommended that the customers sell mutual funds within only one to thirteen months after purchasing them. Essex earned gross commissions of approximately \$60,000 on these switch transactions of which JT, earned approximately \$54,000. On average, the customers held the Class A mutual funds at issue for less than 6 months. JT then used the proceeds of those sales to purchase mutual funds offered by other fund families for those customers, causing the customers to pay additional commissions.

By engaging in a pattern of unsuitable mutual fund switching in the accounts of seven customers, Essex, through JT, violated NASD Rule 2310, IM-2310-2, and FINRA Rule 2010.

2. During the Relevant Period, the Firm failed to establish and maintain a supervisory system, including WSPs, reasonably designed to prevent unsuitable mutual fund switching. The Firm's WSPs stated that "mutual funds are to be sold as long-term investments with a minimum holding period of three to four years." The Firm lacked adequate systems and procedures, however, to monitor for unsuitable mutual fund switching in customer accounts. The Firm had no exception reports or procedures to monitor for trends or patterns involving representatives who effected multiple mutual fund switch transactions for a customer within a short time period. The Firm's WSPs did not provide guidance to supervisors regarding the appropriate steps to determine:
 - whether a registered representative may have engaged in unsuitable short-term and/or unsuitable mutual fund switching;
 - whether a registered representative recommended the appropriate share class in a mutual fund switch transaction; or
 - if additional action was necessary once a pattern of mutual fund switching was suspected or detected.

During the Relevant Period, the Firm failed to reject any of the mutual fund switches that JT effected in her customers' accounts. By failing to establish and maintain a supervisory system, including written procedures, reasonably designed

to prevent unsuitable mutual fund switching, Essex violated NASD Rule 3010 and FINRA Rule 2010.

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

1. a censure;
2. a \$20,000 fine;¹
3. restitution to customers in the amount of \$6,009.70, as detailed on Attachment A hereto; and
4. Respondent agrees to comply with the following undertakings within the time period specified below (unless otherwise extended by FINRA staff following a written request by the firm):
 - a. Essex shall undertake to review its supervisory systems and written supervisory procedures regarding the sale of mutual funds for compliance with FINRA rules and the federal securities laws and regulations. Within 60 calendar days of the issuance of this AWC, an officer of Essex will certify to FINRA in writing that it has completed its review and that it has established systems and procedures reasonably designed to achieve compliance with those laws, regulations, and rules concerning the sale of mutual funds.
 - b. The certification, along with the revised procedures, must be submitted to Department of Enforcement Staff in FINRA's Boston District Office. Although FINRA staff may review the revised procedures, said review shall in no way constitute an approval of the revised procedures. The failure of FINRA staff to alert Essex to any deficiencies in the revised procedures shall not preclude FINRA from instituting a subsequent disciplinary action as a result of deficiencies in the revised procedures.

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 it propose 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 sanctions imposed in this matter.

¹ Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. See Notice to Members 06-55.

Restitution is ordered to be paid to the customers listed on Attachment A hereto in the total amount of \$6,009.70 plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the trade date , until the date this AWC is accepted by the NAC.

A registered principal on behalf of Respondent firm shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to Bonnie S. McGuire, FINRA Enforcement, 99 High Street, Suite 900, Boston, MA 02110 either by letter that identifies the Respondent and case number 2011025433901 or by e-mail from a work-related account of the registered principal of Respondent firm to EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 120 days after acceptance of the AWC.

If for any reason Respondent cannot locate any customer identified in Attachment A after reasonable and documented efforts within 120 days from the date the AWC is accepted, or such additional period agreed to by a FINRA staff member in writing, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property or abandoned property fund for the state in which the customer is last known to have resided. Respondent shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of forwarding the undistributed restitution and interest to the appropriate state authority.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

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

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 Chief Legal Officer, 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;
- 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: (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; and

- 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 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 Respondent 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.

Essex Securities, LLC

10/15/2014
Date (mm/dd/yyyy)

By: _____

Name: _____

Title: _____

Reviewed by:

Dana S. Gloor, Esq.
Counsel for Respondent
Baritz & Colman LLP
25 S. Charles Street, 21st Floor
Baltimore, MD 21201
Tel: (410) 528-5477

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Essex Securities, LLC

Date (mm/dd/yyyy)

By: _____

Name: _____

Title: _____

Reviewed by:



Dana S. Gloor/Esq.
Counsel for Respondent
Baritz & Colman LLP
25 S. Charles Street, 21st Floor
Baltimore, MD 21201
Tel: (410) 528-5477

Accepted by FINRA:

11/7/14
Date

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



Bonnie S. McGuire
Senior Regional Counsel
FINRA Department of Enforcement
99 High Street
Suite 900
Boston, MA 02110
Tel: (617) 532-3424
Fax: (202) 721-6531

Attachment A

Customer	Restitution Amount
F.E.	\$495.00
C.M.	\$516.00
S.M.	\$412.50
E.M.	\$1,755.50
P.P.	\$234.87
M.S.	\$1,054.50
W.W.	\$1,541.33