

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011025613101**

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

RE: Estrada Hinojosa & Company, Inc.
CRD No. 19299

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Estrada Hinojosa & Company, Inc. ("Estrada" 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 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

Estrada has been a FINRA member since April 1987. The firm's principal place of business is Dallas, Texas. The firm is primarily engaged in the municipal securities underwriting and advisory business. Estrada employs 29 registered representatives and maintains seven branch offices.

RELEVANT DISCIPLINARY HISTORY

In December 1998, FINRA issued a Letter of Acceptance, Waiver and Consent (C06980030) in which the firm was censured and fined \$2,500 for violations of MSRB Rules G-36 and G-8. The firm agreed to findings that it failed to comply with reporting deadlines of documents required to be filed with the MSRB and failed to maintain proper documentation of filings with the MSRB.

OVERVIEW

Between June 2009 and July 2011, in connection with its municipal securities underwriting business, Estrada violated MSRB Rule G-32 by failing to timely file, or file at all in some cases, Official Statements (OSs) and Advance Refunding Documents (ARDs) with the MSRB on its EMMA system. Estrada violated MSRB Rule G-27 by failing to adopt and maintain adequate written supervisory procedures governing the making of such filings.

FACTS AND VIOLATIVE CONDUCT

Estrada's Failure to File/Timely File

MSRB Rule G-32 provides that an underwriter is required to submit Form G-32 and the OS for a municipal security offering to the MSRB, through its EMMA system, within one business day after receipt of the OS from the issuer, but no later than the closing date of the offering. If for any reason, the OS is not submitted to the MSRB by the closing date of the offering, the underwriter must deliver notice to EMMA, by the closing date, that the OS is not available and will be made available as soon as possible. MSRB Rule G-32 also provides that an underwriter to primary offerings that advance-refund outstanding municipal securities is required to submit the ARD to EMMA, along with all information required to be submitted by Form G-32, no later than five business days after the closing date of the offering. According to MSRB Rule G-32, an amendment to an OS or ARD must be filed by the underwriter within one day of receipt of the amendment from the issuer.

Between June 2009 and July 2011, Estrada underwrote approximately 71 primary municipal securities offerings and 32 primary offerings that advance-refunded outstanding municipal securities. Of the 71 primary municipal securities offerings, Estrada filed OSs late with EMMA on seven occasions. The untimely OSs were between one and 28 days late. In addition, Estrada filed an amendment to an OS five days late.

Of the 32 advance-refund offerings underwritten by Estrada, 20 of the offerings required the filing of an ARD. Of those, Estrada failed to file an ARD in five instances and filed 14 ARDs late. The untimely ARDs were filed between 19 and 474 days late.

Estrada Failed to Adopt and Maintain Adequate Procedures

MSRB Rule G-27 generally provides that a dealer shall establish and maintain a system to supervise municipal securities activities of all associated persons that is reasonably designed to achieve compliance with municipal securities rules.

Specifically, Rule G-27(c) requires that a dealer adopt, maintain and enforce written supervisory procedures.

Estrada's written supervisory procedures (WSPs) in effect during the period June 2009 through July 2011 had gaps relating to G-32 compliance. In particular, Estrada's WSPs did not include, among other things: (1) instructions on filing preliminary OSs with EMMA; (2) procedures for submitting notices to EMMA in the event that final OSs were not filed timely; (3) procedures requiring a review of G-32 report cards; (4) instructions setting forth the information required to be included in Form G-32; (5) instructions on filing ARDs; and (6) instructions on filing amendments to offerings on EMMA.

As a result, Respondent violated MSRB Rules G-32 and G-27.

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

A censure and a fine in the amount of \$10,000.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is 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 imposed in this matter.

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 me;
- 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 it; 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 it;
 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 Estrada Hinojosa & Company, Inc., 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 Respondent to submit it.

March 26, 2012
Date

Estrada Hinojosa & Co., Inc.
Estrada Hinojosa & Company, Inc.
By: RR Estrada

Accepted by FINRA:

04-04-2012
Date

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

RL
Robert Long
Senior Regional Counsel
FINRA Department of Enforcement
12801 North Central Expressway, Suite 1050
Dallas, TX 75243
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ESTRADA HINOJOSA & COMPANY, INC.

STATEMENT OF CORRECTIVE ACTION WITH
LETTER OF ACCEPTANCE, WAIVER AND CONSENT

Since the conclusion of FINRA's Examination No. 20110256131, the Written Supervisory Procedures ("WSP's") of Estrada Hinojosa & Company, Inc. ("Estrada Hinojosa" or the "Firm") have been revised and updated to address the deficiencies cited and to make clear the responsibilities of the Firm to comply in a timely manner with the requirements of MSRB Rules G-32 and G-27.

In addition, the Firm has created a checklist to be followed in the case of every underwriting transaction where the Firm acts as Senior Managing Underwriter, to assist the Firm in timely compliance with the applicable rules, and a new professional staff person has been added to the personnel of the trading and underwriting operations of the Firm to execute the checklist items. Training for the new professional and other personnel has been enhanced and will continue as needed to prevent a repetition of this violation. Additional oversight by management personnel and compliance professionals in connection with these activities will further contribute to avoiding similar violations in the future.

This Corrective Action Statement is submitted by Estrada Hinojosa. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.