

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011025624601**

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

**RE: WFG Investments, Inc., Respondent
CRD No. 22704**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, WFG Investments, Inc. ("WFG" 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 it 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

WFG is currently, and was during all times relevant hereto, a member of FINRA and registered as a broker/dealer with the U.S. Securities and Exchange Commission. The firm, which registered with FINRA in August 1988, is headquartered in Dallas, Texas and employs 342 registered personnel at 115 branch offices. WFG conducts a general securities business in equities, corporate debt securities, municipal securities, oil and gas interests, variable contracts and private placements. The firm also provides investment advisory services.

RELEVANT DISCIPLINARY HISTORY

In March 2013, FINRA issued a Letter of Acceptance, Waiver and Consent (No. 2010025332201) in which WFG was censured and fined \$200,000 for violations of Section 5 of the Securities Act of 1933, SEC Rules 17a-3 and 17a-4 and NASD Rules 2110, 3010(a), 3010(b), 3110(a) and 3110(c). Additionally, the firm was

ordered to complete an undertaking to review and revise its written supervisory procedures relating to compliance with Section 5 of the Securities Act of 1933. WFG consented to findings that it participated in the unlawful distribution by a customer of nearly \$18 million in shares of an unregistered security, failed to establish and maintain a reasonable supervisory system and written supervisory procedures designed to achieve compliance with Section 5 of the Securities Act, and failed to maintain new account documents for six customers that traded in the unregistered security.

In June 2012, FINRA issued a Letter of Acceptance, Waiver and Consent (No. 2009016279101) in which WFG was censured and fined \$40,000 for violations of SEC Rules 15c2-4, 17a-3(a) and 17a-4(b); MSRB Rules G-8 and G-27(c); and NASD Rules 2110, 2440, 6230 and 3010(b). The firm consented to findings that it failed to ensure that all investor funds received in connection with a contingent offering were deposited into an escrow account during the contingency period; charged excessive markups on certain corporate bond transactions; failed to accurately report to TRACE the execution times on certain transactions; failed to record the time of receipt on the order tickets of certain municipal securities transactions; failed to maintain copies of all customer subscription agreements in connection with a securities offering; and had inadequate supervisory systems and procedures to supervise all aspects of its securities business.

In December 2009, FINRA issued a Letter of Acceptance, Waiver and Consent (No. 2006006831701) in which WFG was censured and fined \$37,500 for violations of NASD Rules 2110, 3010, 4632(a)(5)(g), 6130(d) and 6955(a) and MSRB Rules G-14 and G-27. The firm consented to findings that it committed, certain trade reporting violations. The firm was required to revise its written supervisory procedures regarding trade reporting.

In August 2008, FINRA issued a Letter of Acceptance, Waiver and Consent (No. E062003014607) in which WFG was censured and fined \$25,000, jointly and severally with an individual, for violations of NASD Rules 2210, 2711, 3011 and 2110 and MSRB Rule G-41. The firm consented to findings that it issued 53 research reports that did not contain all the necessary disclosures, failed to specify in writing the requirement to train its personnel and perform independent testing with respect to its Anti-Money Laundering program, and failed to list a specific AML officer.

In May 2008, FINRA issued a Letter of Acceptance, Waiver and Consent (No. 2006004279401) in which WFG was fined \$27,500 and ordered to pay restitution in the amount of \$10,029.96, for violations of MSRB Rules G-8(a), G-17, G-27(a), G-27(c) and G-30(a). The firm consented to findings that it purchased municipal securities for its own account from a customer and/or sold municipal securities from its own account at an aggregate price that was not fair or reasonable, failed to show the correct terms and conditions of certain orders, and failed to enforce its written supervisory procedures.

In May 2008, FINRA issued a Letter of Acceptance, Waiver and Consent (No. 2007007171001) in which WFG was censured and fined \$7,500 for violations of SEC Rule 15c2-4 and NASD Rule 2110. The firm consented to findings that it acted as the agent in a private placement offering but failed to establish an escrow account for investors' funds during the contingency period of the offering.

OVERVIEW

WFG failed to update, or to timely update, certain registered representatives' Form U4s and/or Form U5s to disclose required information; failed to report, or to timely report, certain information required pursuant to Rule 3070; and failed to create and maintain required records regarding a customer complaint. The firm also failed to report 265 transactions in TRACE-eligible securities to TRACE, and failed to enforce its written supervisory procedures regarding TRACE reporting compliance.

FACTS AND VIOLATIVE CONDUCT

1. From July 2009 to June 2012, WFG failed to amend, or to timely amend, certain registered representatives' Form U4s and/or Form U5s to disclose required information in seven instances; failed to make, or to timely make, NASD Rule 3070 filings in eight instances; and failed to create and maintain required records regarding a customer complaint. Specifically, during the period from July 2009 to July 2011, WFG failed to timely amend certain registered representatives' Form U4s to disclose: (1) a customer complaint that alleged damages in excess of \$5,000, (2) two customer arbitration claims, and (3) the settlement of a customer arbitration claim for an amount in excess of \$15,000. The amendments were made between 4 and 280 days late.

From September 2009 to June 2012, WFG failed to disclose a customer complaint that alleged damages in excess of \$5,000 on a registered representative's Form U5, and failed to timely amend two other representatives' Form U5s to disclose the settlement of customer complaints against them for amounts in excess of \$15,000. One Form U5 amendment was made twelve days late, and the other was made over two years late.

From March 2010 to September 2010, WFG failed to timely make five NASD Rule 3070 filings to disclose the settlement of customer complaints for amounts in excess of \$15,000 each. The filings ranged from one to ninety-nine days late. WFG also failed to disclose one customer complaint, and failed to timely disclose two other customer complaints pursuant to NASD Rule 3070. The two untimely disclosures were each made one day late.

WFG also failed to create and maintain a record of a customer complaint and related records that included the complainant's name, address, account number, date the complaint was received, name of each associated person identified in the complaint, description of the nature of the complaint, disposition of the complaint or, alternatively, failed to maintain a separate file that contained the above-described information.

As a result of the foregoing conduct, WFG violated Section 17(a) of the Securities Exchange Act of 1934 and SEC Rules 17a-3(a)(18) and 17a-4(b)(1) thereunder; Article V, Sections 2 and 3 of FINRA's By-Laws; NASD Conduct Rules 3110(d) and 3070, and FINRA Rule 2010.

2. From January 2011 to March 2011, WFG failed to report 265 transactions in structured products to TRACE. The unreported transactions constituted 12.63% of the firm's TRACE-eligible securities transactions executed during the relevant time period. WFG did not have an adequate supervisory system in place to detect unreported TRACE transactions. Although the firm's procedures state that the firm would review a specific report in order to monitor for unreported TRACE transactions. The firm did not review the specified report and did not otherwise monitor for unreported TRACE transactions.

As a result of the foregoing conduct, WFG violated NASD Rule 3010 and FINRA Rules 6730 and 2010.

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

A censure and a \$45,000 fine.

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 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, 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: (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. 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 WFG Investments, 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 WFG Investments, Inc. 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 WFG Investments, Inc. to submit it.

WFG Investments, Inc.

Date

By: _____
(signature)

Name: _____
(Print Name)

Title: _____

Reviewed by:



Brian Hurst
Counsel for Respondent
Baker & McKenzie LLP
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Dallas, Texas 75201
Phone: 214-978-3075
brian.hurst@bakermckenzie.com

Accepted by FINRA:

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

Date

Karen E. Whitaker, Senior Regional Counsel
FINRA Department of Enforcement
12801 North Central Expressway, Suite 1050
Dallas, TX 75243
Phone: 972-716-7610; Fax: 972-716-7612
Email: Karen.Whitaker@finra.org

WFG Investments, Inc.

4/25/2013
Date

By: Dagmy Young
(signature)
Name: Dagmy W. Young
(Print Name)
Title: CAO

Reviewed by:

Brian Hurst
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Accepted by FINRA:

5/8/2013
Date

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

Karen E. Whitaker
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WFG INVESTMENTS, INC.
EXAM OR INVESTIGATION NO. 20110256246

STATEMENT OF CORRECTIVE ACTION

This Statement of Corrective Action is submitted by the Respondent WFG Investments, Inc. It does not constitute factual or legal findings by FINRA or reflect the views of FINRA or its staff.

TRACE reporting

1. Dagny Young, WFG's Chief Compliance Officer, and Jason Gray, Designated Principal for TRACE reporting, have met and conferred at length with the Firm's outside counsel about the Firm's TRACE reporting processes and supervisory procedures, as well as the processes of National Financial Services (NFS), the Firm's clearing firm, in an effort to identify:

- How the cited TRACE reporting omissions occurred and escaped detection; and
- What monitoring and supervisory tools exist or can be created for detecting such omissions in the future.

As neither NFS's TRACE Audit Trail reports nor FINRA's monthly Quality of Markets Report Card immediately alerts WFG to failure to report transactions in TRACE-eligible securities (as opposed to delays in reporting same), it was determined that a recurrence of the anomalous circumstances giving rise to the cited violation could best be avoided by revising the Firm's TRACE WSPs in the manner reflected on the attached draft. In summary, the revisions will result in retraining of Firm trade data entry personnel to always default to TRACE reporting options for transactions in corporate debt securities with specified exceptions. In addition, data entry personnel will be retrained in the use of the primary or "P1" indicator for transactions in newly-issued corporate debt securities, so if the CUSIP number is not immediately recognized by TRACE the transaction automatically will be re-run the next day when the CUSIP should have been set up in TRACE.

Respectfully submitted,

WFG Investments, Inc.

By: Dagny Young

Name: Dagny Young

Title: CAO

Date: 4/25/13