

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011025646401**

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

RE: Sterne, Agee & Leach, Inc., Respondent
Broker-Dealer
[CRD No. 791]

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Sterne, Agee & Leach, Inc. (hereinafter "Sterne Agee," "Firm," or "Respondent") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violation 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

Sterne Agee has been a FINRA member since October 16, 1936, and is also registered as a broker-dealer with the U.S. Securities and Exchange Commission. The Firm is based in Birmingham, Alabama, and currently employs approximately 770 registered persons that operate from 51 branch offices.

RELEVANT DISCIPLINARY HISTORY

March 13, 2012 – Order (No. 2012-AH-0024) pursuant to which the Kentucky Division of Securities fined the Firm \$2,500 for failing to submit a copy of its internal inspection.

September 29, 2011 – AWC (No. 2008014989301) pursuant to which

FINRA censured the Firm and fined it \$20,000 for violating NASD Rule 6955 and FINRA Rule 7150 related to OATS.

January 6, 2011 – AWC (No. 2006006010501) pursuant to which FINRA censured the Firm, fined it \$150,000, and ordered \$2,854.39 in restitution for violating NASD Rules 2110, 2111(a), 2320, 3010, 3360, 6230(c)(6), 6730, 6955(a), MSRB Rule G-14, SEC Rule 200(g) of Regulation SHO, and SEC Rule 605 of Regulation NMS related to reporting short orders, national market system orders, Real Time Transaction Reporting System (“RTRS”), Order Audit Trail System (“OATS”), TRACE, and supervisory procedures.

March 5, 2010 – Hearing Panel Decision (No. E052005007501) pursuant to which the hearing panel issued an order fining the Firm \$40,000 for violating NASD Rules 2110, 3011(a), 3011(b), 3011(c), and MSRB Rule G-41 related to identifying foreign financial accounts and customer identification procedures.

May 12, 2009 – Order (No. 2009-AH-024) pursuant to which the Commonwealth of Kentucky Department of Financial Institutions fined the Firm \$4,000 for failing to comply with certain registration requirements in connection with one of its registered representatives.

April 30, 2009 – AWC (No. 2005002336601) pursuant to which FINRA censured the Firm, fined it \$10,000, and ordered \$2,247.73 in restitution for violating NASD Rules 2110, 2320, and 2440 in connection with corporate bond transactions.

November 10, 2008 – AWC (No. 2006004292701) pursuant to which FINRA censured the Firm and fined it \$53,000 for violating SEC Rule 605 of Regulation NMS, SEC Rule 10b-10, and MSRB Rule G-14 related to OATS, TRACE, failing to disclose commissions, transaction fees and that orders were executed at an average price, and failing to report timely municipal security transactions in RTRS.

June 24, 2008 – AWC (No. 2007009471301) pursuant to which FINRA censured the Firm and fined it \$60,000 for violating Sections 15(c) and 17(a) of the Securities Exchange Act of 1934, Exchange Act Rules 15c3-3 and 17a-3(a)(11), and NASD Rules 2110 and 3110(a) related to incorrectly calculating reserves.

March 31, 1998 – Offer of Settlement (No. C05970017) pursuant to which NASD censured the Firm and fined it \$7,500 for violating MSRB Rules G-37(e) and G-36(b), NASD Conduct Rules 2110, IM-2110-2,

Marketplace Rule 4730(c)(3), and SEC Rule 15c2-11(a)(3) related to sales transactions through SOES, inventory account trading, quote publication, failing to report one political contribution on Form G-37, and failing to disclose timely two municipal underwritings and nine other issues on Form G-36.

FACTS AND VIOLATIVE CONDUCT

1. MSRB Rule G-37 requires broker-dealers to report their participation in municipal securities underwritings to the MSRB. From on or about April 13, 2009 to on or about September 9, 2011, Respondent failed to report or timely report on a Form G-37 eleven instances in which it had participated in negotiated municipal securities underwriting activities. By failing to report its participation in the municipal securities underwritings, Sterne Agee violated MSRB Rule G-37.
2. MSRB Rule G-37 also requires broker-dealers to disclose certain political contributions. For the quarter ending March 30, 2010, Sterne Agee failed to disclose on its MSRB Form G-37 a political contribution by a dealer-controlled Political Action Committee. By failing to report this political contribution, Sterne Agee violated MSRB Rule G-37.

B. Respondent 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 Respondent 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 Respondent; 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 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.

7/3/12

Date (mm/dd/yyyy)

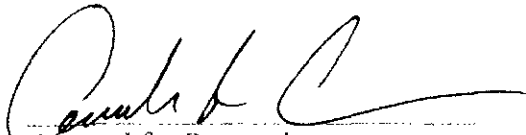


Sterne, Agee & Leach, Inc., Respondent

By: PATRICK S. DOSAN

Title: Chief Compliance Officer

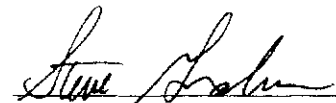
Reviewed by:


Counsel for Respondent

Accepted by FINRA:

7/11/2012
Date

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


Steve Graham
Senior Regional Counsel
FINRA Department of Enforcement
12801 North Central Expressway, Suite 1050
Dallas, TX 75243
Ph: 972-716-7610; Fax: 972-716-7612