

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
No: 2011025857201**

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

**RE: Regal Securities, Inc.
CRD No.: 7297**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, 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

Regal Securities became a member of FINRA in November 1976 and became registered with the SEC in June 1977. The firm's business includes, among other things, the retailing of corporate stocks and bonds, municipal securities and options. The firm operates 32 branches and employs approximately 140 registered representatives. The firm's membership with FINRA and its registration with the SEC remain currently in effect. Regal Securities has no prior relevant disciplinary history.

OVERVIEW

Between October 2009 and November 2011, Regal Securities failed to deliver official statements to customers purchasing new issue municipal securities, in violation of MSRB Rule G-32. Additionally, during the stated period, the firm failed to establish adequate systems and procedures with regard to the delivery of official statements in connection with sales of new issue municipal securities in secondary market transactions, in violation of MSRB Rule G-27.

Between February and October 2011, Regal Securities failed to disclose to its customers certain information, including negative rating changes and a call notice, in connection with municipal securities transactions. Additionally, during the stated period, the firm failed to establish adequate systems and procedures with regard to the disclosure of material events in connection with municipal securities transactions.

FACTS AND VIOLATIVE CONDUCT

Delivery of Official Statements to Customers

1. MSRB Rule G-32(a) requires broker-dealers selling a new issue municipal security to deliver a copy of the issue's official statement to the customer on or before settlement date of the purchase. Delivery by settlement date is presumed to have been made if the official statement is placed in the mail at least three business days before settlement date. Alternatively, broker-dealers can satisfy this delivery obligation by notifying customers how they may obtain a copy of the issue's official statement electronically.
2. A new issue municipal security is a municipal bond sold during the primary offering disclosure period. The primary offering disclosure period begins with the first submission to the underwriters of an order for the purchase of offered municipal securities or the purchase of securities from the issuer, whichever first occurs, and ends 25 days after the final delivery by the issuer or its agent of all securities of the issue to or through the underwriting syndicate or sole underwriter (usually the closing date).
3. The obligation to deliver an official statement by settlement date applies not only to underwriters, but also to firms not participating in the offering that sell the municipal securities during the primary offering period.
4. Between October 2009 and November 2011, Regal Securities failed to deliver official statements by settlement date to customers who purchased new issue municipal securities during the primary offering disclosure period. In all of these transactions, even though Regal Securities was neither an underwriter nor part of the underwriting syndicate, it was required to deliver an official statement to each customer by settlement date. By failing to do so, Regal Securities violated MSRB Rule G-32.
5. MSRB Rule G-27(a) requires broker-dealers to supervise the conduct of their municipal securities activities and to ensure compliance with MSRB rules. Furthermore, Rule G-27(c) requires each broker-dealer to adopt, maintain and enforce written supervisory procedures reasonably designed to ensure that the conduct of municipal securities activities is in compliance with MSRB rules.

6. Between October 2009 and November 2011, Regal Securities failed to establish an adequate system, including adequate written supervisory procedures, with regard to the delivery of official statements in connection with sales of new issue municipal securities in secondary market transactions. By failing to do so, Regal Securities violated MSRB Rule G-27.

Disclosure of Material Events

7. MSRB Rule G-17 provides that "[i]n the conduct of its municipal securities activities, each broker, dealer, and municipal securities dealer shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice."

8. The MSRB has interpreted Rule G-17 to create affirmative disclosure obligations for broker-dealers. Specifically, the MSRB has stated that the broker-dealer's affirmative disclosure obligations requires that it disclose, at or before the time of sale of municipal securities to a customer, all material facts concerning the transaction, including a complete description of the security. A fact is considered "material" if there is a substantial likelihood that its disclosure would have been considered significant by a reasonable investor.

9. Between February and October 2011, Regal Securities failed to disclose to its customers certain information, including negative rating changes and a call notice, in connection with four municipal securities transactions, in violation of MSRB Rule G-17.

10. As mentioned above, MSRB Rule G-27(a) and G-27(c) require broker-dealers to supervise the conduct of their municipal securities activities and to adopt, maintain and enforce written supervisory procedures reasonably designed to ensure that the conduct of municipal securities activities is in compliance with MSRB rules.

11. Between February and October 2011, Regal Securities failed to establish an adequate system, including written supervisory procedures, with regard to the disclosure of material events in connection with municipal securities transactions. By failing to do so, Regal Securities violated MSRB Rule G-27.

B. Respondent also consents to the imposition of a censure and a fine in the amount of \$25,000.

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 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.

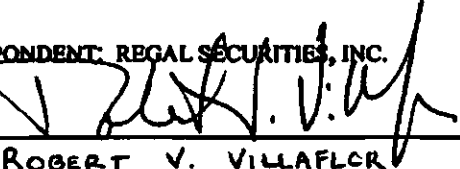
OTHER MATTERS

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 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 the undersigned, on behalf of the firm, 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.

RESPONDENT: REGAL SECURITIES, INC.

By: 

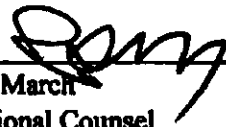
ROBERT V. VILLAFLOR

Date 3/26/13

Reviewed by:

Date _____

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


Richard A. March

Senior Regional Counsel

Mark Koerner

AVP and Regional Chief Counsel

FINRA Department of Enforcement

55 West Monroe Street, Suite 2700

Chicago, IL 60603

312.899.4351 (Phone Number)

312.899.4600 (Fax Number)

Richard.March@finra.org

Date 5/1/13