

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011027363402**

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

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

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Regal Securities, Inc. ("Regal") 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 Regal 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 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 27 branches and employs approximately 118 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.

RELEVANT DISCIPLINARY HISTORY

In February 2011, FINRA accepted a Letter of Acceptance, Waiver and Consent (AWC) from Regal with regard to Examination 2010022046701, in which the firm was censured and fined \$10,000 for failing to establish and maintain an adequate supervisory system, including written procedures, designed to oversee the personal trades made by representatives in the firm's inventory account, in violation of NASD Conduct Rule 3010.

OVERVIEW

Regal failed on several occasions to promptly amend a registered representative's Form U4 to disclose the existence of several civil judgments and an IRS lien, in violation of Article V, Section 2(c) of FINRA's By-Laws, NASD Rule 2110 and FINRA Rule 2010. Additionally, the firm failed to establish and maintain an adequate supervisory system, including written procedures, to ensure that civil judgments and liens were promptly disclosed on a registered representative's Form U4, in violation of NASD Rule 3010, NASD Rule 2110 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Failure to Amend a Form U4

Article V, Section 2(c) of the FINRA By-Laws provides that every application for registration filed with FINRA shall be kept current at all times by supplementary amendments, which should be filed with FINRA not later than 30 days after learning of the facts or circumstances giving rise to the amendment.

From 2008 through 2011, the Form U4 included question 14M, which states as follows: "Do you have any unsatisfied judgments or liens against you?"

On or about September 21, 2007, a certain entity, RSI, filed a garnishment proceeding against JK, naming Regal as the garnishee. The filing arose from a judgment obtained against JK on August 6, 2007 in the amount of approximately \$1,700. JK's Form U4 was not amended by Regal until more than three years later.

On or about May 22, 2008, a certain entity, FMCC, filed a garnishment proceeding against JK, naming Regal as the garnishee. The filing arose from a judgment obtained against JK on September 2, 2005 in the amount of approximately \$2,100. JK's Form U4 was never amended by Regal.

On or about July 16, 2009, the Internal Revenue Service served a Notice of Levy on Regal. The filing arose as a result of JK failing to pay taxes in the approximate amount of \$5,200 which had been incurred between 2003 and 2004. JK's Form U4 was never amended by Regal to disclose the IRS lien.

On or about December 29, 2010, a certain entity, MECA, filed a garnishment proceeding against JK, naming Regal as the garnishee. The filing arose from a judgment obtained against JK on November 2, 2010 in the amount of approximately \$5,400. JK's Form U4 was amended more than four months late.

On or about December 27, 2010, another entity, ERHC, filed a garnishment proceeding against JK, naming Regal as the garnishee. The filing arose from a

judgment obtained against JK on July 12, 2010 in the amount of approximately \$700. JK's Form U4 was amended more than four months late.

Despite knowing as a result of the multiple garnishments and IRS levy that JK had several unsatisfied judgments and an IRS tax lien, the firm failed to amend JK's Form U4 to disclose those reportable events within 30 days.

With regard to the RSI judgment, the FMCC judgment and the IRS lien, Regal acted in contravention of Article V, Section 2(c) of FINRA's By-Laws, in violation of IM-1000-1, NASD Rule 2110 (for conduct charged through December 14, 2008) and FINRA Rule 2010 (for conduct charged on or after December 15, 2008).

With regard to the MECA and ERHC judgments, Regal acted in contravention of Article V, Section 2(c) of FINRA's By-Laws, in violation of FINRA Rule 1122 and FINRA Rule 2010.

Inadequate Supervisory Systems and Procedures

NASD Conduct Rule 3010 requires that "[e]ach member shall establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules," including the establishment of written procedures.

Between 2007 and 2011, Regal received four garnishments from judgment creditors and a tax levy from the IRS pertaining to one of its registered representatives. Both JK's supervisor as well as a firm employee charged with processing the paperwork were aware of the garnishments and the levy and knew, or should have known, that they arose from civil judgments and an IRS tax lien obtained against JK.

While the firm had procedures requiring that it file amendments related to reportable events, the procedures did not specify who was responsible for making the filing.

As a result of the firm's failure to have adequate systems and procedures, it failed to update JK's Form U4 to disclose one judgment and one tax lien and failed to timely update his Form U4 to disclose three judgments.

Based on the above, Regal failed to implement and enforce a supervisory system, including written procedures, reasonably designed to ensure that the firm made the proper Form U4 disclosures to achieve compliance with the firm's Form U4 reporting obligations, in violation of NASD Rules 3010 and 2110 (for conduct charged through December 14, 2008), and NASD Rule 3010 and FINRA Rule 2010 (for conduct charged on or after December 15, 2008).

B. Regal also consents to the imposition of the following sanction:

A censure and a fine in the amount of \$12,500.

Regal agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Regal has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Regal specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Regal 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, Regal 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.

Regal 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

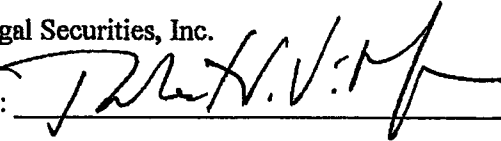
Regal understands that:

- 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 me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. Regal 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. I 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. Regal may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Regal 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 Regal, 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 Regal 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 Regal to submit it.

10-8-14
Date

Regal Securities, Inc.

By: 

Accepted by FINRA:

November 21, 2014
Date

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


Richard March
Senior Regional Counsel
FINRA Department of Enforcement
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Corrective Action Statement by Regal Securities, Inc.

Regal Securities, Inc. ("Regal") has voluntarily taken the following demonstrable corrective steps related to strengthening its Form U-4 reporting program for financial disclosures for its independent registered representatives. If a registered representative has a garnishment, Regal is taking additional steps to identify the underlying judgment that lead to the garnishment, in order to satisfy regulatory reporting. Regal will now ask for documentation regarding the underlying judgment, including obtaining a credit report and conducting an internet search.

In addition, Regal has enhanced its yearly attestation process and questionnaires where the broker must sign off that he/she has no liens (including all federal and state tax liens), judgments, levies, bankruptcies or garnishments. If a broker claims that he/she is in negotiations regarding a debt, Regal's Compliance Department will follow up on these items to confirm if there has actually been a lien or levy imposed and make the appropriate disclosures.

Regal has also bolstered its branch inspection program, and has added a separate attestation form and checklist asking the registered representative to update their financial disclosure information. At these inspections, the auditor is also asking the representative to verify the information on their Form U-4 and provide confirmation that their financial disclosures are current and accurate.

Regal also has a new hire committee, and if a potential representative has revealed past or present liens, levies, judgments or bankruptcies, the committee will review and investigate their background and circumstances. If the prospective representative has not taken steps to remedy their situation, Regal will not register them with the firm. Also, Regal is looking to reprimand or terminate representatives if they have not properly disclosed a required Form U-4 disclosure.

At Regal's annual compliance meeting and at its conferences, Regal's Compliance Department will educate and alert the registered representatives of their Form U-4 reporting obligations and to ensure that their financial disclosures are current.

Furthermore, Regal distributed a newsletter to its registered representatives educating brokers and reminding them to update their Form U-4 for financial disclosures to promptly disclose any judgments, tax liens, levies, garnishments and bankruptcies. Regal will continue to notify the representatives of the importance of their reporting obligations and keeping their Form U-4 current.

Last, Regal has educated its Compliance Department as to events that are required to be disclosed, is working with outside compliance consultants, and is looking to add more compliance staff to assist with reporting obligations and make it a priority.

Regal will continue to work with its independent registered representatives to ensure that the Form U-4 reporting requirements are taken seriously and are properly disclosed in a timely manner.

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