

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20110283601-01

TO: Department of Market Regulation
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. (the "firm" 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

The firm has been a member of FINRA since 1936, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On January 6, 2011, an AWC was accepted in which the firm was censured and fined \$150,000, which included \$15,000 for violation of FINRA Rules 2010 and 6730 for late reporting to the Trade Reporting and Compliance Engine (TRACE) during the period January 1, 2009 through March 31, 2009 and reporting incorrect execution times to TRACE during the same period; and \$20,000 for violations of Municipal Securities Rulemaking Board (MSRB) Rule G-14 for reporting information to Realtime Transaction Reporting System (RTRS) that the firm was not required to report during the period April 1, 2009 and June 30, 2009, and failing to timely report block transactions to RTRS during the period July 1, 2009 to September 30, 2009.

SUMMARY

In Matter No. 20110283601, the Municipal Bonds Section of the Department of Market Regulation conducted a review of the firm's compliance with MSRB Rule G-14 with respect to Market Participant Identifier "SALI" for the period January 1, 2011 through March 31, 2011.

In Matter No. 20110290566, the TRACE Corporate Bonds Team of the Department of Market Regulation conducted a review of the firm's compliance with FINRA Rule 6730 with respect to Market Participant Identifier "SALC" for the period April 1, 2011 through June 30, 2011.

In Matter No. 20120311679, the Municipal Bonds Section of the Department of Market Regulation conducted a review of the firm's compliance with MSRB Rule G-14 with respect to Market Participant Identifier "SALI" for the period October 1, 2011 through December 31, 2011.

In Matter No. 20120336564, the TRACE Corporate Bonds Team of the Department of Market Regulation conducted a review of the firm's compliance with FINRA Rule 6730 with respect to Market Participant Identifier "SALC" for the period February 6, 2012 through June 30, 2012.

In Matter No. 20120335006, the TRACE Agency/SP Team of the Department of Market Regulation conducted a review of the firm's compliance with FINRA Rule 6730 with respect to Market Participant Identifier "SALI" for the period April 1, 2012 through June 30, 2012.

In Matter No. 20140400267, the TRACE Agency/SP Team of the Department of Market Regulation conducted a review of the firm's compliance with FINRA Rule 6730 with respect to Market Participant Identifier "SALI" for the period October 1, 2013 through December 31, 2013.

FACTS AND VIOLATIVE CONDUCT

20110283601: 1Q11 Municipal Mismatch Destination Code Review

1. During the review period, in 86 instances, SALI improperly reported information to the RTRS that it should not have. Specifically, the firm improperly reported 86 "purchase and sale transactions effected in municipal securities" to the RTRS, when the inter-dealer deliveries were "step outs" and thus, were not inter-dealer transactions reportable to the RTRS. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

20110290566: 2Q11 TRACE Contra Execution Time Sweep

2. During the review period, SALC failed to report to TRACE the correct time of trade execution for 85 S1 transactions in TRACE-eligible Corporate Bonds. These late transactions constituted 11.8 percent of all S1 matched inter-dealer reports submitted by SALC (719) during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
3. During the review period, SALC failed to report to TRACE the same 85 transactions in TRACE-eligible Corporate Bonds within 15 minutes of the time of execution. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a).
4. The firm failed to show the correct time of execution on the memoranda of 85 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Rule 3110.

20120311679: 4Q11 Municipal Mismatch Destination Code Review

5. During the review period, in 57 instances, SALI improperly reported information to the RTRS that it should not have. Specifically, the firm improperly reported 57 “purchase and sale transactions effected in municipal securities” to the RTRS, when the inter-dealer deliveries were “step outs” and thus, were not inter-dealer transactions reportable to the RTRS. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

20120336564: 1H12 S1 TRACE Corporate Contra Execution Time Sweep

6. During the review period, SALC failed to report to TRACE the correct time of trade execution for 140 S1 transactions in TRACE-eligible Corporate Debt Securities. These late transactions constituted 11 percent of all S1 matched inter-dealer reports submitted by SALC (1,247) during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
7. During the review period, SALC failed to report to TRACE the same 140 transactions in TRACE-eligible Corporate Debt Securities within 15 minutes of the time of execution. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a).
8. The firm failed to show the correct time of execution on the memoranda of 140 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and FINRA Rule 4511.

20120335006: 2Q12 TRACE SP Late Trade Review

9. During the review period, SALI failed to report to TRACE 200 transactions in TRACE-eligible Securitized Products within the time permitted by FINRA Rule 6730. These transactions constituted 7.8 percent of the transactions in TRACE-eligible Securitized Products that SALI should have reported to TRACE during the review period (2,562). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

20140400267: 4Q13 TRACE SP Late Trade Review

10. During the review period, SALI failed to report to TRACE 98 transactions in TRACE-eligible Securitized Products within the time permitted by FINRA Rule 6730. These transactions constituted 3.7 percent of the transactions in TRACE-eligible Securitized Products that SALI should have reported to TRACE during the review period (2,687). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

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

A censure and fine of \$147,500, consisting of:

\$20,000 for violations of MSRB Rule G-14 in Review No. 20110283601;

\$40,000 for violations of FINRA Rules 6730(a) and 6730(c)(8), and \$2,500 for violations of SEC Rule 17a-3 and NASD Rule 3110, in Review No. 20110290566;

\$20,000 for violations of MSRB Rule G-14 in Review No. 20120311679;

\$40,000 for violations of FINRA Rules 6730(a) and 6730(c)(8), and \$5,000 for violations of SEC Rule 17a-3 and FINRA Rule 4511, in Review No. 20120336564;

\$10,000 for violations of FINRA Rules 2010 and 6730 in Review No. 20120335006; and

\$10,000 for violations of FINRA Rules 2010 and 6730 in Review No. 20140400267.

Respondent agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It 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(s) 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 the firm;
- 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 Chief Legal Officer, 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 the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 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 the firm'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. The firm 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 it has agreed to the AWC's 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.

Feb 2, 2015

Date

Respondent

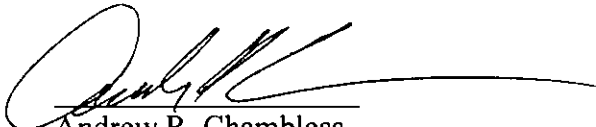
Sterne, Agee & Leach, Inc.

By: Robert J. Corne

Name: Robert J. Corne

Title: CFO

Reviewed by:



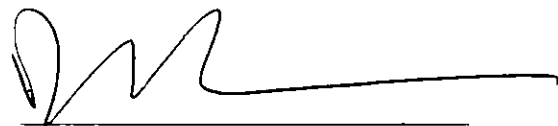
Andrew R. Chambless
General Counsel for Respondent
800 Shades Creek Pkwy, Ste. 815
Birmingham, AL 35209
(205) 414-3313

Accepted by FINRA:

2-5-15

Date

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



David E. Rosenstein
Senior Vice President
FINRA Department of Market Regulation