

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011029195002¹**

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

RE: H. Beck, Inc., Respondent
Broker-Dealer
CRD No. 1763

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, H. Beck Inc. ("H. Beck" or the "Firm") 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 the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. H. Beck 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

H. Beck is a full-service brokerage firm that has been a FINRA member since 1954. The Firm conducts a general securities business on a fully disclosed basis. The Firm maintains its principal place of business in Bethesda, Maryland, and has approximately 465 registered branch offices and approximately 800 registered persons.

RELEVANT DISCIPLINARY HISTORY

In Letter of Acceptance, Waiver and Consent No. 2012031552601 (March 30, 2015), FINRA found that from October 2008 through September 2013, H. Beck failed to supervise accounts to ensure that customers received sales charge discounts on eligible unit investment trust purchases and failed to supervise the use of consolidated reports, as required by NASD Rules 2110, 2210 and 3010 and

¹ This document has been edited to reflect the correct matter number. A previous version of this document incorrectly listed the matter number as 2011029195001.

FINRA Rule 2010. FINRA censured the Firm and fined it \$425,000.

In Letter of Acceptance, Waiver and Consent No. 2009016150001 (July 14, 2011), FINRA found in relevant part that from May 2007 to May 2009 H. Beck retain written and electronic correspondence and develop and enforce reasonably-designed supervisory procedures for the retention of such correspondence, as required by NASD Rules 2110 and 3010 and FINRA Rule 2010. FINRA censured the Firm and fined it \$150,000.

OVERVIEW

Between May 2008 and January 2009, H. Beck failed to enforce its written supervisory procedures regarding on-going due diligence. Specifically, H. Beck failed to conduct adequate on-going due diligence and address red flags in relation to three offerings from one issuer. This conduct violated NASD Rules 3010 and 2110 and FINRA Rule 2010.²

FACTS AND VIOLATIVE CONDUCT

NASD Rule 3010 requires registered broker-dealers to establish, maintain and enforce a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations, as well as FINRA Rules. NASD Rule 3010 also requires registered firms to establish, maintain and enforce written procedures to supervise the types of business in which the firms engage and to supervise the activities of registered representatives and associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations and FINRA Rules.

FINRA Rule 2010 and its predecessor, NASD Rule 2110, provide that “[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”

H. Beck’s written supervisory procedures provided that it would conduct an on-going review of the companies with which it maintained a business relationship and would report any significant developments to senior management. Between May 2008 and January 2009, however, H. Beck failed to conduct adequate on-going due diligence on three private placement funds (collectively, the “Funds”).

In May 2008, H. Beck received an email containing audited financial statements for the Funds and the Funds’ investment advisor for fiscal year-end December 2007. Those financial statements showed a deterioration in the financial condition of the Funds and the Funds’ investment advisor when compared to the previous year’s financial statements. H. Beck failed to detect and investigate further the deterioration of the financial condition of the Funds and the Funds’ advisor.

² NASD Rule 2110 was superseded by FINRA Rule 2010, effective on December 10, 2008.

As a result of the foregoing conduct, H. Beck, Inc. violated NASD Rules 3010 (from May 2008 through January 2009) and 2110 (from May 2008 through December 9, 2008) and FINRA Rule 2010 (from December 10, 2008 through January 2009).

B. H. Beck also consents to the imposition of the following sanctions:

- A censure and a fine of \$40,000.

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

The Firm 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

H. Beck 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, H. Beck 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.

H. Beck 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

H. Beck understands that:

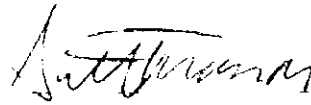
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against it; and
- C. If accepted:
 - 1. this AWC will become part of its 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 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. The Firm 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. The Firm 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 its: (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. The Firm 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.

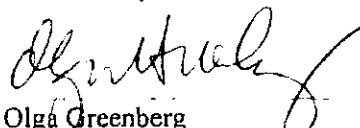
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, threat, 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.

10/19/2015
Date (mm/dd/yyyy)

Scott Thorson
H. Beck, Inc.

By: 

Reviewed by:


Olga Greenberg
Counsel for H. Beck, Inc.
Sutherland Asbill & Brennan LLP
999 Peachtree Street, NE, Suite 2300
Atlanta, GA 30309-3996
(404) 853-8274

Accepted by FINRA:

10/26/15
Date

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


Meghan S. Bailey
Regional Counsel
FINRA Department of Enforcement
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