

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20110299758**

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

RE: RBS Securities Inc., Respondent
CRD No. 11707

Pursuant to Rule 9216 of FINRA's Code of Procedure, RBS Securities Inc. ("RBS" 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. RBS 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

RBS has been a member of FINRA since December 1, 1983. RBS engages in a general securities business, including options, bonds, mutual funds, and government-issued securities. RBS is headquartered in Stamford, Connecticut, maintains seven branch offices and employs approximately 1,052 registered representatives.

RELEVANT DISCIPLINARY HISTORY

On December 19, 2012, FINRA accepted a Letter of Acceptance, Waiver and Consent ("AWC") in which the Firm was censured and fined \$27,500 for failing to report Trade Reporting and Compliance Engine ("TRACE") transactions within 15 minutes of the time of execution. In addition, the Firm failed to have a supervisory system reasonably designed to achieve compliance with the TRACE reporting requirements.

On December 30, 2013, FINRA accepted an AWC in which the Firm was censured and fined \$475,000 for, among other violations, failing to establish and maintain an adequate system to supervise, and written procedures related to, the computation of its customer reserve and net capital calculations, compliance with

books and records requirements, and the order marking, locate, close out of fails to deliver and penalty box requirements of Regulation SHO.

OVERVIEW

From January 1, 2007 to November 4, 2011, RBS failed to file with FINRA copies of securities-related complaints in which the Firm was named as a defendant or respondent. During this period, 96 securities-related private civil litigation complaints were filed against the Firm - none of which had been filed with FINRA, in violation of NASD Rule 3070(f)(2) and FINRA Rule 4530(f)(2) (collectively, the "Complaint Filing Rules"). The Firm discovered the filing deficiencies on or about October 27, 2011, and filed 45 of the 55 active, pending complaints on November 5, 2011. From January 1, 2012 through at least August 12, 2013, after the Firm identified its failures to make filings pursuant to the Complaint Filing Rules, it failed to timely file with FINRA, pursuant to FINRA Rule 4530(f)(2), 15 of the 25 securities-related private civil litigation complaints filed against the Firm during that period.

In addition, during this period, the Firm did not have an adequate supervisory system reasonably designed to detect and prevent filing deficiencies with respect to the Complaint Filing Rules. Specifically, from January 2007 to February 2011, the Firm had adequate written procedures to address the Complaint Filing Rules, but did not enforce those procedures. In or about February 2011, in advance of the effective date of FINRA Rule 4530, the Firm amended its written procedures. However, the list of reportable events in the amended procedures was incomplete in that it failed to identify securities-related private civil litigation complaints as reportable under FINRA Rule 4530(f)(2). Therefore, from February 2011 to December 2012, the Firm did not have adequate written procedures to address its complaint filing obligations pursuant to FINRA Rule 4530(f)(2). In December 2012, the Firm amended its written procedures to accurately reflect its complaint filing obligations pursuant to FINRA Rule 4530(f)(2).

In total, between January 1, 2007 and approximately September 1, 2013 (the "Relevant Period"), the Firm failed to timely file 121 of the 131 securities-related private civil litigation complaints filed against it. As a result of this conduct, the Firm violated NASD Rules 3070, 2110, and 3010, and FINRA Rules 4530 and 2010.¹

During the Relevant Period, the Firm also failed to amend the Uniform Application for Securities Industry Registration ("Forms U4") for four Firm registered representatives named as defendants in five separate securities-related

¹ NASD Rule 3070 was replaced by FINRA Rule 4530 on July 1, 2011. As such, conduct occurring prior to July 1, 2011 is a violation of NASD Rule 3070 and conduct occurring on or after July 1, 2011 is a violation of FINRA Rule 4530. Similarly, NASD Rule 2110 was replaced by FINRA Rule 2010 on December 15, 2008. Therefore, conduct occurring prior to December 15, 2008 is a violation of NASD Rule 2110 and conduct occurring on or after December 15, 2008 is a violation of FINRA Rule 2010.

private civil litigation complaints filed against it during the Relevant Period. By so doing, the Firm failed to enforce its written procedures pertaining to amendments to Forms U4. As a result of this conduct, the Firm violated Article V, Section 2(a) of the FINRA By-Laws, NASD Rules 3010 and 2110, and FINRA Rule 2010.

Finally, from the third quarter of 2009 until the second quarter of 2013, the Firm failed to submit quarterly NYSE Rule 351(e) statements to FINRA. In addition, throughout this period, the Firm lacked written procedures reasonably designed to achieve compliance with NYSE Rule 351(e). As a result of this conduct, the Firm violated NYSE Rule 351(e), NASD Rules 3010 and 2110, and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Failure to Comply with the Complaint Filing Rules

The Complaint Filing Rules require firms to file copies of certain criminal and civil complaints and arbitration claims with FINRA, including copies of any securities- or commodities-related private civil complaint or arbitration filed against the firm in any forum other than FINRA Dispute Resolution.

The Complaint Filing Rules require the Firm to promptly notify FINRA, “but in any event not later than 30 calendar days” after the member knows or should have known of the existence of a securities- or commodities-related private civil litigation complaint in which the Firm is named as a defendant or respondent. The Complaint Filing Rules require that the Firm file a true and accurate copy of the complaint with FINRA.

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

Between January 1, 2007 and November 4, 2011, the Firm failed to file with FINRA copies of securities-related private civil litigation complaints in which the Firm was named as a defendant or respondent. During this period, 96 securities-related private civil litigation complaints were filed against the Firm - none of which had been filed with FINRA.

Between November 5, 2011 and January 3, 2012, the Firm filed 47 of the 55 pending securities-related private civil litigation complaints in which the Firm was named as a defendant or respondent. Between July 12, 2013 and July 26, 2013, the Firm filed the remaining eight complaints, despite being aware of their existence as early as 2010, and at a minimum, as of October 27, 2011. The Firm did not file the eight complaints until after it received a request from FINRA related to the Firm’s compliance with the Complaint Filing Rules.

In 2012, 21 securities-related private civil litigation complaints were filed against the Firm. Of those 21, only eight were filed timely - a 62% failure rate. Of the

remaining 13, four were filed with FINRA over one year after the Firm became aware of their existence. Further, seven of the 13 were not filed until July and August 2013. In 2013, four securities-related private civil litigation complaints were filed against the Firm. Of those four, two were filed timely - a 50% failure rate.

By failing to timely file copies of securities-related civil complaints filed against the Firm with NASD/FINRA during the Relevant Period, RBS violated NASD Rule 3070(f)(2) and FINRA Rule 4530(f)(2). By virtue of this conduct, the Firm also violated NASD Rule 2110 and FINRA Rule 2010.

Failure to Timely File Amended Forms U4 in 13 Instances

Article V, Section 2(a) of the FINRA By-Laws provide that applications by any person for registration with FINRA shall be made by a process established by FINRA on a prescribed form signed by the applicant. Article V, Section 2(c) generally provides that every application for registration filed with FINRA shall be kept current at all times by supplementary amendments which must be filed within 30 days after learning of the facts or circumstances giving rise to the amendment via the Form U4. Among items that must be reported on Forms U4 are civil litigations filed after May 18, 2009, naming a registered person as a respondent or defendant and alleging sales practice violations, which are pending, result in a judgment or are settled for \$10,000 or more, and/or when a registered representative is named in a pending investment-related civil action.

Of the complaints filed against the Firm during the Relevant Period, five complaints also named the same four Firm registered representatives (collectively, the "Individual Defendants") as defendants. The Individual Defendants were named in 20 separate instances (five complaints that named each of the foregoing individuals as defendants). Of those 20 instances, the Firm failed to timely update the registered representatives' Forms U4 in 13 instances - a 65% failure rate.

By failing to timely file updated Forms U4 during the Relevant Period for the Individual Defendants, the Firm violated FINRA By-Laws, Article V, Section 2(a) and 2(c), NASD Rule 2110, and FINRA Rule 2010.

Failure to Submit Quarterly Written Statement Pursuant to NYSE Rule 351(e)

New York Stock Exchange ("NYSE") Rule 351(e) requires member organizations to submit quarterly written statements to FINRA regarding reviews it has performed related to insider trading and fraudulent transactions in connection with proprietary and employee trading pursuant to NYSE Rule 342.21. If the firm determines that no trades subject to the review violated rules, a written statement must be submitted by the 15th day of the month following the calendar quarter in which the trade occurred.

The Firm became an NYSE member in July 2009. Accordingly, it is required to make quarterly filing requirements pursuant to Rule 351(e). However, between October 2009 and June 2013, the Firm did not file any of the quarterly reports required by Rule 351(e). On August 13, 2013, the Firm notified FINRA of its filing deficiencies, and identified two instances of reportable investigations that should have been disclosed to FINRA during the 351(e) Period.

Based on the foregoing, the Firm violated NYSE Rule 351(e), NASD Rule 2110, and FINRA Rule 2010.

Failure to Have an Adequate Supervisory System and Written Policies and Procedures

The Complaint Filing Rules

NASD Rule 3010(a) states, in pertinent part, that “[e]ach member shall establish and maintain a system . . . that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules. Final responsibility for proper supervision shall rest with the member.”

NASD Rule 3010(b) states, in pertinent part, that “[e]ach member shall establish, maintain, and enforce written procedures ... that are reasonably designed to achieve compliance with applicable securities laws and regulations.”

With respect to the Complaint Filing Rules, the Firm’s filing deficiencies were caused, initially, by human error and the repeated failure of the Firm to identify the failures and make the required filings. This failure was not detected by the Firm’s supervisory systems for a continuous period of nearly five years.

Specifically, prior to February 2011, the Firm’s Written Supervisory Procedures (“WSPs”) accurately set forth the Firm’s filing requirements pursuant to NASD Rule 3070(f). However, the Firm failed to put in place an adequate supervisory system to implement and enforce those WSPs. During this period, the Firm failed to file or timely file approximately 58 securities-related civil complaints with FINRA.

In February 2011, in advance of the July 2011 effective date of FINRA Rule 4530, the Firm’s WSP’s were amended. The amended provision remained in effect until December 2012. However, the definition of “Reportable Event” set forth in the Firm’s February 2011 WSPs was incomplete and inconsistent with FINRA Rule 4530(f)(2). Specifically, the Firm’s WSPs, as amended in February 2011, omitted the requirement, under FINRA Rule 4530(f)(2), to file a copy of the civil complaint whenever the Firm is named as a defendant or respondent in securities- or commodities-related civil litigation. The incomplete provisions of the Firm’s WSPs pertaining to the Firm’s compliance with FINRA Rule 4530(f)(2) were in effect from February 2011 until December 2012, when the Firm’s WSPs were amended in order to be consistent with the provisions of

FINRA Rule 4530(f)(2). During this period, the Firm failed to file and/or timely file approximately 51 securities related civil complaints with FINRA.

The Firm violated NASD Rule 3010(a) by failing to have an adequate supervisory system to ensure that securities-related civil complaints filed with FINRA as required by the Complaint Filing Rules. The Firm also violated NASD Rule 3010(b) by failing to (1) adequately enforce its written procedures related to the Complaint Filing Rules prior to February 2011 and subsequent to December 2012; and (2) maintain accurate written policies between February 2011 and December 2012 that were reasonably designed to achieve compliance with the Complaint Filing Rules

Forms U4

During the Relevant Period, the Firm failed to adequately enforce its written procedures related to filing Forms U4 for registered representatives named in, *inter alia*, pending investment related civil actions. As set forth above, the Firm failed to update the Forms U4 for the Individual Defendants, despite the express provisions in the Firm's written procedures obligating it to do so. By virtue of this conduct, the Firm violated NASD Rule 3010(b).

NYSE Rule 351(e)

During the Relevant Period, the Firm failed to establish and maintain a system reasonably designed to achieve compliance with its filing obligations pursuant to NYSE Rule 351(e). Specifically, the Firm did not have an adequate supervisory system to ensure that it filed quarterly reports required by NYSE Rule 351(e). As a result, from the third quarter of 2009 until the second quarter of 2013, the Firm failed to submit quarterly NYSE Rule 351(e) statements to FINRA. By virtue of this conduct, the Firm violated NASD Rule 3010(a).

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

- censure and
- a \$350,000 fine.

RBS 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 it proposes to pay the fine imposed.

RBS 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

RBS 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, RBS 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.

RBS 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

RBS 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:

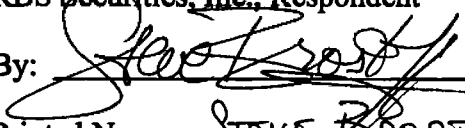
1. this AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the Firm's disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. RBS 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. RBS 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 RBS'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. RBS 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 said person 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.

May 5, 2014
Date (mm/dd/yyyy)

RBS Securities, Inc., Respondent

By: 

Printed Name: STEVE BROSTOFF

Title: Head of Regulatory Relations, Americas

Reviewed by:

PR ECKERT

Paul R. Eckert, Esq.
Wilmer Cutler Pickering Hale and Dorr LLP
1875 Pennsylvania Avenue NW
Washington, D.C. 20006

Accepted by FINRA:

5.16.14
Date

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

RICHARD BEST

Richard Best
Chief Counsel
FINRA Department of Enforcement
One World Financial Center
200 Liberty Street
New York, NY 10281
(646) 315-7308 (phone)
(202) 689-3424 (facsimile)
richard.best@finra.org