

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20110301993-01**

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

RE: Morgan Keegan & Company, LLC ("MOKE"), Respondent
Broker-Dealer
CRD No. 4161

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Morgan Keegan & Company, LLC¹ ("Respondent" 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. 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 September 3, 1969, and its registration remains in effect. The operation of the Firm was assumed by Raymond James & Associates, Inc. as of February 19, 2013. The Firm has no relevant disciplinary history.

SUMMARY

In Matter No. 20110301993, the Department of Market Regulation's Options Regulation Staff (the "Staff") conducted a review of the Firm's compliance with the rules related to the reporting of options positions to the Large Options Position Report ("LOPR") system during the period between January 19, 2010 and December 3, 2012. In Matter No. 20130362208, the Staff conducted a review of the Firm's LOPR reporting during the period between January 19, 2010 and February 12, 2013 (collectively the "Review Period").² During the Review Period, the Firm failed to report and failed to submit

¹ Effective August 26, 2013, Morgan Keegan & Company, Inc. was renamed Morgan Keegan & Company, LLC.

² The Firm no longer conducts an options business as of February 2013.

complete or accurate records of reportable options positions to the LOPR in approximately 334,143 instances.¹

FACTS AND VIOLATIVE CONDUCT

1. LOPR data is used extensively by self-regulatory organizations (“SROs”) to identify holders of large options positions who may be attempting to manipulate the market or otherwise violate securities rules and regulations. The accuracy of LOPR data is essential for the analysis of potential violations related to, among other things, insider trading, position limits, exercise limits, front-running, capping and pegging, mini-manipulation, and marking-the-close.
2. The Firm failed to report options positions to the LOPR during the Review Period in at least approximately 56,018 instances, which consisted of the following:
 - a. 52,848 instances where the Firm failed to properly aggregate positions that were acting in concert² under the common control of unregistered third parties outside of the Firm;
 - b. 2,760 instances where an internal nine-digit options series identification number for option positions³ contained a value of 5, 6 or 7 in the 7th digit of the number, which resulted in the positions not being reported;
 - c. 410 instances involving expiring options positions that were required to be reported; and
 - d. an unknown number of positions in an unknown number of additional instances where the Firm erroneously netted positions to zero when the customer pledged the underlying security.

The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).

3. During the Review Period, the Firm failed to report to the LOPR increases or decreases to previously reported options positions, resulting in 17,802 instances where the Firm under-reported positions and approximately 68,712 instances where the Firm over-reported positions. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).

¹ An “instance” is a single failure to report, or inaccurately report, a given options position. The number of instances is determined by multiplying a given reportable position by the number of trade dates the position had not been reported or was reported inaccurately.

² All accounts under the common control of the same individual or entity with the authority to make investment decisions and/or execute transactions for those accounts are considered as acting in concert. When accounts acting in concert hold in the aggregate a reportable position, a member organization must report each account’s position, whether individually reportable or not, to the Options Clearing Corporation (“OCC”) for LOPR purposes.

³ This identification number was used by the service provider retained by the Firm to report its options positions.

4. The Firm submitted inaccurate reports of options positions to the LOPR during the Review Period in approximately 191,611 instances, which consists of 252,706 reporting errors¹ as follows:
- a. 35,665 errors involving the failure to properly mark in concert positions;
 - b. 36,633 errors involving the failure to report the correct quantity of positions by erroneously distinguishing cash and margin accounts with the Firm's own internal numbering system;
 - c. 43,382 errors with reversed tax number type codes for Employer IDs and Social Security numbers;
 - d. 19,902 errors with the wrong account address;
 - e. 5,451 errors where the account name was truncated;
 - f. 1,007 errors in domestic accounts that failed to contain the required TAX ID;
 - g. 102,243 errors where account names overran into the account street address field (*i.e.*, account name overrun") causing the street addresses to be obscured;
 - h. 5,873 errors of account name overrun for Domestic accounts that also failed to contain the required TAX ID;
 - i. 35 errors of account name overrun that failed to contain the required TAX ID and the city;
 - j. 2,364 errors of account name overrun for Foreign accounts that contained an incorrect Tax Type;
 - k. 144 errors of account name overrun for Foreign accounts (Switzerland) that contained an incorrect Tax Type and Country Code; and
 - l. Seven errors where positions were reported with incorrect effective dates.

The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).

5. During the Review Period, the Firm failed to establish and maintain an adequate supervisory system, including adequate written supervisory procedures, reasonably designed to achieve compliance with the applicable securities laws and regulations and FINRA Rules, concerning the reporting of options positions to the LOPR. The conduct described in this paragraph constitutes a violation of NASD Rule 3010 and FINRA Rule 2010.

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

A censure and fine of \$200,000.

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

¹ These differences are due to the fact that a number of instances involved more than one error.

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 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 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 the Firm; 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. 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 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. 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 Respondent, 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 Respondent to submit it.

2-20-15
Date

Respondent
Morgan Keegan & Company, LLC

By: Charles D. Maxwell

Name: Charles D. Maxwell

Title: Secretary

Reviewed by:

Mark P. Baracca
Counsel for Respondent

Accepted by FINRA:

3-6-15
Date

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

David E. Rosenstein
Senior Vice President, Legal Section
Department of Market Regulation