

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120304130 -01**

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

RE: Dinosaur Securities, L.L.C., Respondent ("Dinosaur" or the "Firm")
BD No. 104446

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Dinosaur 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. The Firm 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

Dinosaur has been a member of FINRA since March 2001. The Firm currently has four branch offices and employs approximately 72 registered representatives. The Firm provides investment banking, sales and trading, and asset and wealth management services to institutional and individual customers.

RELEVANT DISCIPLINARY HISTORY

In April 2012, Dinosaur signed an AWC that included a finding by FINRA that the Firm violated SEC Rule 17a-3 and NASD Conduct Rule 3110 for failing to: include long and short inventory balances on its balance sheet; correctly calculate inventory haircuts; calculate undue concentration haircut charges; include customer unsecured debit balances on its balance sheets; and properly account for guaranteeing a line of credit for its holding company. Dinosaur was also found to have violated SEC Rules 15c3-1, 15c3-3, and 17a-5. The settlement included a censure and a batched fine of \$8,000.

Dinosaur has no other relevant disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities

regulator.

OVERVIEW

From at least June 28, 2010, through April 22, 2012 (the "Review Period"), the Firm's order tickets used to memorialize transactions in corporate bonds, agency debt, and securitized products ("TRACE-Eligible Securities") did not state whether Dinosaur had acted as agent or principal in the transaction. Additionally, a sample of 125 transactions in TRACE-Eligible Securities during the Review Period showed that approximately 20% of the transactions were reported inaccurately to TRACE and approximately 10% were reported late.

FACTS AND VIOLATIVE CONDUCT

1. Recordkeeping Violation

During the Review Period, the Firm acted in a principal capacity for all transactions in TRACE-Eligible Securities. However, the Firm's memoranda of these orders did not indicate the capacity in which the Firm acted in the transaction.

By reason of the foregoing, Dinosaur violated SEC Rule 17a-3, NASD Conduct Rule 3110 and FINRA Rule 4511,¹ and FINRA Rule 2010.

2. Erroneous TRACE Reports

The Staff's review of 125 sampled transactions in TRACE-Eligible Securities identified 26 erroneous TRACE reports (20.8% of the sample). In 22 of the 26 trades, the Firm incorrectly reported the time the trade was executed. In the remaining four trades, the Firm incorrectly reported the buy/sell indicator.

By reason of the foregoing, Dinosaur violated FINRA Rule 6730(c).

3. Late TRACE Reports

The Staff's review of the 22 TRACE reports that included an incorrect execution time found that 13 of these trades (10.4% of the sample) were actually reported late, when the correct execution time was considered. For example, one trade in agency debt on July 8, 2010, was reported at 2:19pm with an execution time of 2:10pm, which would be considered a timely report. However, the Staff found that the actual execution time of the trade was 1:32pm, which shows that the trade was reported over 30 minutes late.

By reason of the foregoing, Dinosaur violated FINRA Rule 6730(a).

¹ The relevant provisions of NASD Rule 3110 were replaced by FINRA Rule 4511 in December 2011, during the Review Period. Therefore, Dinosaur has been found to have violated both rules.

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

- A censure
- A fine in the amount of \$10,000

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. Respondent 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.

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 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.

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 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. 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. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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.

4/22/13
Date (mm/dd/yyyy)

DINOSAUR SECURITIES LLC
Respondent

Dinosaur Securities, L.L.C.
BD No. 104446

By: Sharon M. Davison
[name and title] CCO

Reviewed by:

Sharon M. Davison
Sharon M. Davison
Counsel for Respondent
Seward & Kissel LLP
One Battery Park Plaza
New York, NY 10004
Tel: (212) 574-1315

Accepted by FINRA:

April 26, 2013
Date

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

Michael Wajda
Michael Wajda
Principal Regional Counsel
FINRA Department of Enforcement
One World Financial Center
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New York, NY 10281-1003
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This Corrective Action Statement Is Submitted By The Respondent, Dinosaur Securities, L.L.C. ("Dinosaur"). It Does Not Constitute Factual Or Legal Findings By FINRA; Nor Does It Reflect The Views Of FINRA, Or Its Staff.

Dinosaur Securities, L.L.C.
Letter of Acceptance, Waiver and Consent
No. _____

Respondent Dinosaur Securities, L.L.C. ("Dinosaur") submits this Corrective Action Statement ("Statement") with respect to the referenced Letter of Acceptance, Waiver and Consent ("AWC") which pertains to a review by the staff of the FINRA Department of Enforcement (the "Staff") of Dinosaur's compliance with certain reporting requirements during the period June 28, 2010 through April 22, 2012 (the "Review Period") as referred to the Staff as part of the 2012 Cycle Examination.

The Staff found that during the Review Period, Dinosaur acted in a principal capacity for all transactions in TRACE-Eligible Securities, but that Dinosaur's memoranda of these orders did not indicate the capacity in which Dinosaur acted in the transaction.

The Staff's review of sampled transactions of TRACE-Eligible Securities identified certain erroneous TRACE reports: Dinosaur incorrectly reported the time the trade was executed or incorrectly reported the buy/sell indicator. In addition, the Staff found that certain of Dinosaur's TRACE reports were reported late.

While Dinosaur accepts and consents to the AWC, without admitting or denying the findings, Dinosaur submits this Statement to demonstrate how, since the review, Dinosaur has worked to improve its TRACE reporting score.

Dinosaur has instructed its traders to mark tickets manually with a "P" for principal and Dinosaur has instructed its staff to pay closer attention to the exact execution time and proper transaction side when reporting transactions.

Dinosaur has put in place a Corrective Action Plan

Dinosaur also has put in place procedures to improve its reporting system. When TRACE-Eligible trades are made, a trader shouts the trade out to two designated back-office employees, one of which will enter the trade immediately. Dinosaur's Miami branch office will call the New York office to enter its trades. Any late or problematic trades must be reported to the Compliance Officer the next day. One of the two designated back-office employees will be responsible at all times for reviewing TRACE Report Cards and for reporting any issues to the Chief Compliance Officer. Dinosaur's Written Supervisory Procedures have been updated to reflect this new policy.

Dinosaur is also implementing a system of fines placed upon its employees for late and erroneous TRACE reports: \$100 for the first violation, \$200 for the second violation, \$500 for the third violation, and for any violations beyond an employee's third, a percentage of his or her commissions will be deducted, as determined by the Chief Executive Officer.

Respectfully submitted,

By:

Philomena Pearsonella
P.C.O.