

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012030528601**

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

RE: RBS Securities Inc., Respondent
Member Firm
BD No. 11707

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent RBS Securities, Inc. ("RBSSI" 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 RBSSI alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. RBSSI 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

RBSSI has been registered with FINRA as a member firm since December 1, 1983. RBSSI conducts an institutional securities business from its main office located in Stamford, Connecticut. The Firm currently has approximately 751 registered individuals operating out of 5 branch offices across the United States.

RELEVANT DISCIPLINARY HISTORY

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.

On May 16, 2014, FINRA accepted an AWC in which the Firm was censured and fined \$350,000 for, among other violations, failing to implement an adequate supervisory system to enforce the Firm's written supervisory procedures

("WSPs") relating to the reporting of securities related civil litigation and updating Forms U4 for its registered representatives.

OVERVIEW

For approximately a six-month period, RBSSI failed to adequately enforce its WSPs relating to the timeliness of the Firm's review of electronic communications. For a period of a year, RBSSI failed to establish and maintain a supervisory system that was reasonably designed to supervise certain electronic communications containing attachments that were encrypted or sent via a secure file transfer software application. This conduct violated NASD Conduct Rules 3010(a) and 3010(d)(2) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

FAILURE TO ENFORCE SUPERVISORY SYSTEM AND WRITTEN PROCEDURES CONCERNING REVIEW OF ELECTRONIC COMMUNICATIONS

During the period April 2010 through March 2012 ("the Review Period"), RBSSI utilized Orchestria, a third-party surveillance application, to review internal and external emails. Orchestria flagged emails containing certain keywords or phrases. In addition, Orchestria flagged for review a random sampling of 0.5% of all emails sent and received.

During the Review Period, RBSSI assigned approximately 180 employees to review email on a daily basis. The Firm's WSPs provided that these email reviewers were expected to review the communications assigned to them each day so that the Firm could promptly address potential issues. Despite this provision, as of December 2011, RBSSI had a backlog of approximately 1,498 emails that had not been reviewed for more than thirty days. Further, during the period July through December 2011, approximately 25% of RBSSI's reviewers received five or more notices indicating that they were not in compliance with the Firm's policies for timely reviewing the emails in their queue. However, RBSSI did not take adequate corrective action with regard to these reviewers' repeated noncompliance.

NASD Conduct Rule 3010(d)(2) provides, in pertinent part, that each member firm "shall develop written procedures . . . for the review of incoming and outgoing . . . electronic correspondence with the public" and that "[w]here such procedures . . . do not require review of all correspondence prior to use or distribution, they must include provision for . . . surveillance and follow-up to ensure that such procedures are implemented and adhered to." By failing to reasonably enforce its supervisory system and written supervisory procedures regarding the review of electronic communications, RBSSI violated NASD Conduct Rule 3010(d)(2) and FINRA Rule 2010.

REVIEW OF ENCRYPTED EMAIL ATTACHMENTS AND SECURE FILE TRANSFER COMMUNICATIONS

During the Review Period, RBSSI employees could electronically send attachments securely to internal or external recipients in three ways: (1) by using a third-party web-based system called Secure File Transfer ("SFT"), (2) by typing the term "*secure*" in the subject line of an email containing the attachment, or (3) by encrypting an attachment using other programs. For larger attachments, RBSSI employees generally used SFT to encrypt and send files.

When a file was sent via SFT, the program automatically generated an email that was sent through the Orchestra system. During the Review Period, however, attachments sent via SFT were not included in this automatically generated email and therefore were not subjected to Orchestra's lexicon search. Indeed, during the period April 1, 2011 to March 25, 2012, more than 3,600 messages (approximately 9% of all emails sent securely via SFT or *secure*) were sent through SFT that contained attachments which were not subject to Orchestra review.

Certain attachments sent via SFT that were not subject to Orchestra's lexicon search still could be reviewed if they were selected as part of the Orchestra random sampling. Even if an attachment sent via SFT was included in the random sample, however, the reviewer would need to request the assistance of the sender or RBSSI's Information Technology staff to retrieve the content of the attachment. As RBSSI had no procedures in place to address the review of files sent via SFT, the Firm's reviewers had no guidance or direction on the manner in which they could gain access to the SFT attachments or even whether such a step was required.

During this same period, RBSSI's system for reviewing encrypted attachments to emails sent through the Firm's networks was also deficient. Specifically, Orchestra was unable to review the content of encrypted attachments as part of its lexicon search.

By utilizing email monitoring technology that could not review the content of files sent via SFT or encrypted attachments, RBSSI failed to establish and maintain a supervisory system that was reasonably designed to supervise the communications of its registered representatives in violation of NASD Conduct Rule 3010(a) and FINRA Rule 2010.

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

- A censure and \$65,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is 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 waive 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

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 it;
- C. If accepted:
 - 1. this AWC will become part of Respondent's 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 response to public inquiries about Respondent'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. 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 Respondent'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; and
- 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 have 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.

RBS Securities, Inc.

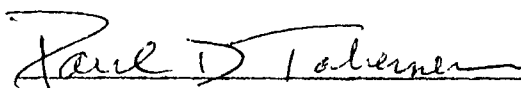
Jan. 6, 2015
Date

By: 
Steven Brostoff
Managing Director
Head of Regulatory Relations, Americas

Accepted by FINRA:

1/30/2015
Date

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


Paul D. Taberner
Senior Regional Counsel
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RBS Securities Inc.
Statement of Corrective Action Taken
Case No. 2012030528601

1. Prior to the issuance of the 2012 Cycle Examination report on November 26, 2012, RBSSI enhanced its email-monitoring technology and processes so that the content of files sent via SFT would be reviewed by Orchestra and the content of encrypted attachments to emails would be reviewed by the email reviewer; and
2. Within 30 days of receiving the 2012 Cycle Examination report, RBSSI implemented an enhanced process to help ensure that adequate corrective action would be taken with regard to reviewers that failed to timely review emails in their queue.

Note: This Statement of Corrective Action Taken is submitted by RBSSI. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.