

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012030723901**

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

RE: First Southwest Company, Respondent
Member Firm
CRD No. 316

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent 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 Respondent 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

First Southwest Company ("First Southwest", "Respondent", or the "Firm") has been a registered broker-dealer since March 1946. First Southwest is headquartered in Dallas, Texas. It has 243 registered persons operating out of 27 registered locations. First Southwest offers a variety of investment services, including corporate equity and debt securities, mutual funds, government securities, municipal securities, variable life insurance and annuities, limited partnerships, and equity options.

RELEVANT DISCIPLINARY HISTORY

First Southwest's relevant disciplinary history includes the following:

On December 10, 2009, First Southwest was censured and fined \$10,000 for violating MSRB Rules G-14 and G-27.

On July 26, 2007, First Southwest was censured and fined \$50,000 for violating MSRB Rules G-36(b)(i), G-36(b)(ii), and G-36(d).

On July 26, 2007, First Southwest was censured and fined \$110,000 for violating MSRB Rules G-14 and G-27.

On December 15, 1997, First Southwest was censured and fined \$10,000 for violating MSRB Rule G-36.

FACTS AND VIOLATIVE CONDUCT

1. MSRB Rule G-32(a)(i) requires broker/dealers to deliver to the customer a copy of the Official Statement ("OS") by no later than the settlement of the transaction. On September 28, 2010, First Southwest violated MSRB Rule G-32(a)(i) by failing to provide the OS in a municipal securities offering to customers whose transactions settled on that day. There were three relevant transactions totaling \$1,625,271 that settled before the customers received the OS.
2. MSRB Rule G-32(b)(i) requires the underwriter of a primary offering of municipal securities to submit the OS and information concerning exempt offerings to the Electronic Municipal Market Access ("EMMA") system within one business day after receipt of the OS from the issuer, but by no later than the closing date. From June 2010 to September 2011, First Southwest violated MSRB Rule G-32(b)(i) by: (1) failing to timely submit the OS in two municipal offerings; (2) failing to timely submit two remarketing supplements; (3) failing to timely submit five SEA 15c2-12 exempt filings; and (4) filing an inaccurate OS in one offering. The filings were between one and eleven days late.

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

First Southwest shall be censured and fined \$55,000.

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 Respondent 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 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 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 Respondent; and

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 Respondent;**
- 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.**

- 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 Respondent 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.

8/8/2013
Date

First Southwest Company. Respondent

By: Hill A. Feinberg
(Signature)

Name: HILL A. FEINBERG
(Print Name)

Title: Chairman + CEO

Reviewed by:

Gerald J. Russello

Gerald J. Russello
Counsel for Respondent
Sidley Austin LLP
787 Seventh Avenue
New York, NY 10019
212-839-5716

Accepted by FINRA:

8/30/2013
Date

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

Steve Graham

Steve Graham
Senior Regional Counsel
FINRA Department of Enforcement
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