

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120309836-01**

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

RE: Buckman, Buckman & Reid, Inc., Respondent
Broker-Dealer
CRD No. 23407

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Buckman, Buckman & Reid, Inc. (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. 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

The firm became a member of FINRA on January 16, 1989, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has no relevant disciplinary history.

SUMMARY

In connection with matter 20120309836, the Trading and Market Making Surveillance ("TMMS") staff of the Department of Market Regulation reviewed the firm's trading and market making activities, as set forth on Exhibit 1 which is attached, during the period January 9 through January 20, 2012.

In connection with matter 20120313790, the Short Sales Team of the Department of Market Regulation reviewed the firm's order marking and short sales reporting during the period from May 1 through August 31, 2011.

FACTS AND VIOLATIVE CONDUCT

In connection with review 20120309836:

1. The firm, in 55 instances, appended a trade reporting modifier/NMS Exemption Code to a trade reported to the FINRA/Nasdaq Trade Reporting Facility ("FNTRF") without providing a reasonable justification. Specifically, the firm executed inter-dealer transactions on behalf of customers at an average price that included the firm's compensation. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6380A.
2. The firm executed 83 short sale transactions and failed to report each of these transactions to the FNTRF with a short sale modifier. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6624.
3. The firm incorrectly appended an account type code of "A" for an order received from a retail customer in 18 instances, incorrectly submitted to the Order Audit Trail System ("OATS") the Long/Short indicator and account type in three instances, incorrectly submitted to OATS a buy/sell code of "SX" in seven instances, failed to submit an OATS report including the receipt and routing of an order in full in 12 instances, failed to append the "not held" special handling code to a new order report submitted to OATS in eight instances, and incorrectly appended an account type code of "A" in two instances. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450(a).
4. The firm incorrectly marked 83 short sales as long. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and FINRA Rule 4511(a).
5. The firm inaccurately denoted its compensation type as "commission" on customer confirmations in 16 instances, failed to accurately disclose its capacity and compensation type and append an average price disclosure in nine instances; and failed to append capacity and/or average price disclosure on customer confirmations in four instances. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.

6. The firm failed to establish, maintain, and enforce written policies and procedures that were reasonably designed to prevent trade-throughs of protected quotations in NMS stocks that do not fall within any applicable exception, and if relying on an exception, are reasonably designed to assure compliance with the terms of the exception. The conduct described in this paragraph constitutes a violation of SEC Rule 611(a)(1) of Regulation NMS.
7. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to SEC Rule 611(a)(1) of Regulation NMS. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) a sufficient statement of the supervisory step(s) to be taken by the identified person(s) and (2) a statement as to how often such person(s) should take such step(s). The conduct described in this paragraph constitutes violations of SEC Rule 611(a)(1), FINRA Rule 2010 and NASD Rule 3010.
8. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of FINRA and the SEC. At a minimum, adequate written supervisory procedures addressing trading and market making topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to provide for one or more of the four above-cited minimum requirements for adequate written supervisory procedures, in the following subject areas: Supervisory System, Procedures and Qualifications: OSJ Locations [(b)]; Order Handling: SEC Rule 606 [(b)] and SEC Rule 605 [(b)]; Best Execution: Execution of Customer Orders: Principal/Riskless Principal/Agent via order by order routing [(b)] and Agent via aggregate routing [(b)]; Trade Reporting: Order Marking Requirements [(b)]; Locate Requirements [(b)]; Short Sale Reporting [(b)], Regulation SHO Rule 204 [(a), (b), (c), (d)], Short Sale Circuit Breaker [(a), (b), (c), (d)] and Naked Short Selling Antifraud Rule [(a), (b), (c), (d)]; Other Trading Rules: Trading Halts [(b)], FINRA Clearly Erroneous [(b), (d)]; OATS: Accurate and Timely Submission [(b)] and Accuracy of reported Routed IDs [(b)]; Other Rules: Chinese Walls/Information Barriers [(b)], Books and Records [(b)] and Review incoming, outgoing and internal electronic communications between and from the firm's Trading Desk(s) [(b)]; and Use of MPIDs: Multiple MPID Usage and Supervision of Activity [(b)]. The conduct described in this paragraph constitutes a violation of FINRA Rule 2010 and NASD Rule 3010.

9. The firm failed to provide documentary evidence that during the review period it performed the supervisory reviews set forth in its written supervisory procedures concerning: Order Handling: SEC Rule 606, SEC Rules 604 and 602, Order Protection and SEC Rule 605; Best Execution: Execution of Customer Orders: Principal/Riskless Principal/Agent via order by order routing and Agent via aggregate routing; Trade Reporting: General Trade Reporting, Riskless Principal Trade Reporting, Accepting trades, Trade Modifiers and Trades Reported on the firm's behalf; Sales Transactions: Order Marking Requirements, Locate Requirements and Short Sale Reporting; OATS: Clock Synchronization, Accurate and Timely Submission, Rejects, OATS vs. TRF Consistency and Routed Order IDs; Other Rules: Chinese Walls/Information Barrier, Electronic Communications Review; Use of MPIDs: Requirements/Limitations of use of MPID and Limiting Access of MPID. The conduct described in this paragraph constitutes a violation of FINRA Rule 2010 and NASD Rule 3010.

In connection with review 20120313790:

10. The firm executed 49 short sale orders and failed to properly mark the orders as short. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 200(g) of Regulation SHO.
11. The firm, on 49 occasions, effected a short sale in an equity security for its own account, without (1) borrowing the security or entering into a bona-fide arrangement to borrow the security; or (2) having reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date the delivery is due; and (3) documenting compliance with Rule 203(b)(1) of Regulation SHO. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 203(b)(1) of Regulation SHO.
12. The firm executed 49 short sale transactions and failed to report each of these transactions to the FNTRF with a short sale modifier. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6182.

B. The firm also consents to the imposition of the following sanctions:

A censure and a fine of \$50,000 (consisting of a \$7,500 fine for the equity trade reporting violations, a \$10,000 fine for the short sale trade reporting violations, a \$7,500 fine for the OATS reporting violations, a \$2,500 fine for the customer confirmation violations, a \$5,000 fine for the Regulation NMS violations and a \$5,000 fine for the supervision violation identified in 20120309836; and a \$12,500 fine for the Regulation SHO and equity trade reporting violations identified in 20120313790); and an undertaking for the firm to revise its written supervisory procedures with respect to the areas described in Paragraphs I.A.7 and I.A.8. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE,

MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph four; and, (3) the date the revised procedures were implemented.

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

The firm 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

The firm 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, the firm 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.

The firm 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

The firm 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. 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 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 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 the firm to submit it.

8/20/2013
Date

Respondent
Buckman, Buckman & Reid, Inc.

By: [Signature]

Name: Thomas P. Buckman

Title: Managing Director

Reviewed by:

[Signature]
Counsel for Respondent

Accepted by FINRA:

9/13/13
Date

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

Gerard P. Finn
Gerard P. Finn
Chief Counsel
Department of Market Regulation