

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120319458-01

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

RE: U.S. Bancorp Investments, Inc., Respondent
Broker-Dealer
CRD No. 17868

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, U.S. Bancorp Investments, Inc. ("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 became a member of FINRA in August 1986, and its registration remains in effect. The Firm does not have any relevant prior disciplinary history.

SUMMARY

In Review No. 20120319458, the Department of Market Regulation's Options Regulation Staff (the "Staff") conducted an options reporting review of the Firm covering the period from May 1, 2006 through May 31, 2012¹ (the "Review Period").

FACTS AND VIOLATIVE CONDUCT

During the Review Period, the Firm failed to report positions to the Large Options Positions Report ("LOPR") in at least 7,164 instances. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 2860(b)(5) (for

¹ Because the Firm was only able to provide records as of May 1, 2006, Staff limited the start of its review to that date.

conduct that occurred prior to February 17, 2009) and FINRA Rule 2360(b)(5) (for conduct that occurred on or after February 17, 2009).

During the Review Period, the Firm failed to establish and maintain a supervisory system, including a system of follow-up and review, that was reasonably designed to achieve compliance with the applicable securities laws and regulations, and FINRA Rules, concerning the reporting of options positions to the LOPR. In addition, the Firm's supervisory system did not include written supervisory procedures providing for the reporting of options positions to the LOPR. Specifically, while the Firm's written supervisory procedures required submissions of qualified positions to the LOPR under the supervision of the Operations Manager, they did not specify (1) a statement of the supervisory step(s) to be taken by the identified person(s); (2) a statement as to how often such person(s) should take such step(s); and (3) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 2110 (for conduct that occurred prior to December 15, 2008), FINRA Rule 2010 (for conduct that occurred on or after December 15, 2008) and NASD Rule 3010.

OTHER FACTORS

In determining to resolve this matter on the basis set forth herein, Market Regulation took into consideration that the Firm self-reported its failure to submit LOPRs during the Review Period and promptly took action to correct the violative activity, including establishing a reporting structure with the Options Clearing Corporation and revising its supervisory policies, procedures and reviews governing the submission of LOPRs. These steps were all taken prior to the conclusion of Market Regulation's investigation of this matter. Consistent with Principal Consideration 12 of the FINRA Sanction Guidelines and Notice to Members 08-70, "FINRA Provides Guidance Regarding Credit for Extraordinary Cooperation" (Nov. 2008), the monetary sanction for the violations described above reflects the extraordinary cooperation that the Firm provided to the Staff in connection with the investigation and resolution of this matter.

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

A censure and fine of \$60,000.

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.

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 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 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.

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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.

5/1/2014
Date

Respondent U.S. Bancorp Investments, Inc.

By: [Signature]

Name: William Benjamin IV

Title: President & CEO

Reviewed by:

[Signature]
Counsel for Respondent

Accepted by FINRA:

5/30/14
Date

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

[Signature]
Kenneth R. Bozza
Chief Counsel, Legal Section
Department of Market Regulation