

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012033328601**

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

RE: First Allied Securities, Inc., Respondent
Member Firm
CRD No. 32444

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, First Allied Securities, Inc., ("First Allied" or "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 First Allied 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 Allied has been a FINRA regulated broker-dealer since March 28, 1994 and maintains its principal place of business in San Diego, California. It has approximately 1,000 registered representatives ("RRs") and approximately 500 registered branch offices throughout the country. First Allied is a full service broker/dealer and engages in a general securities business that includes retail and institutional brokerage services, trading and advisory services.

RELEVANT DISCIPLINARY HISTORY

The Firm has no relevant disciplinary history

OVERVIEW

During the period October 2008 through April 2009 (the "Relevant Period"), First Allied had inadequate supervisory systems and procedures to ensure that it delivered the appropriate disclosure documents to customers purchasing unit investment trusts ("UITs") and/or exchange traded funds ("ETFs"). As a result, First Allied failed to provide certain of its customers with a prospectus or written description for these transactions.

FACTS AND VIOLATIVE CONDUCT

Under Section 5(b)(2) of the Securities Act, delivery of ETFs and UITs is prohibited unless such delivery is accompanied by or preceded by a copy of a prospectus, or a written description if certain conditions are met. However, during the Relevant Period, First Allied did not have adequate written procedures regarding the delivery of ETF or UIT prospectuses.

On July 1, 2008, First Allied signed an Agreement for Prospectus Delivery Facilitation Services (the "Agreement") with Pershing LLC ("Pershing") for delivery of ETF and UIT prospectuses. The Agreement went into effect on October 22, 2008. Although First Allied retained Pershing to deliver its ETF and UIT prospectuses, it remained First Allied's responsibility to review transaction activity on a regular basis and verify that a prospectus was properly delivered when required.

To assist First Allied in fulfilling its delivery obligations, Pershing made available daily and monthly exception reports via Pershing's online Report Center. These exception reports listed all prospectuses that were not delivered on a trade date, and the reason each prospectus was not delivered.

During the Relevant Period, First Allied failed to adequately review the exception reports provided by Pershing, and failed to otherwise review or monitor the functions it delegated to Pershing. As a result, First Allied failed to detect that Pershing failed to deliver approximately 1,107 prospectuses. Accordingly, First Allied failed to deliver the required prospectuses or written descriptions in connection with these ETF and UIT purchases.

FINRA Rule 2010 and NASD Rule 2110 require that a member, in the conduct of its business, observe high standards of commercial honor and just and equitable principles of trade.

NASD Conduct Rule 3010 requires member firms to establish, maintain and enforce a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations.

In light of the foregoing, First Allied violated NASD Rules 3010 and 2110 and FINRA Rule 2010.¹

¹ NASD Rule 2110 applies to all conduct on or before December 14, 2008 and FINRA Rule 2010 applies to all conduct on or subsequent to December 15, 2008.

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

First Allied is censured and fined \$40,000.

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fines imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanctions 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

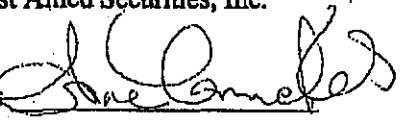
Respondent understands that:

- 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 records 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 records;
 - 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 rights 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 First Allied, certifies that he is duly authorized to act on First

Allied's 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 First Allied 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 First Allied to submit it.

First Allied Securities, Inc.

By: 

1/17/2013
Date

Name: Anne Yannakakis

Title: Associate General Counsel

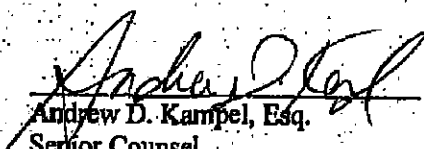
Reviewed by: 

Anne Yannakakis, Esq.
Associate General Counsel
First Allied Securities, Inc.
15445 Conway Road
Chesterfield, Missouri 63017
(636) 534-2752
Counsel for Respondent

Accepted by FINRA:

1/17/2013
Date

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


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