

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012033831401**

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

**RE: Anne C. Feliciano, Respondent
CRD No. 4953691**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Anne C. Feliciano, submit 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, 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

Anne C. Feliciano ("Feliciano" or "Respondent") first entered the securities industry in September 1988 with FINRA member Citigroup Global Markets, Inc. ("Citigroup" or the "Firm") where she was employed as a member of the Firm's security transfer unit. Feliciano remained employed by Citigroup until June 2012 when Feliciano then became employed by Morgan Stanley Smith Barney ("MSSB") as a result of a joint venture between Citigroup and Morgan Stanley. Feliciano became registered as an operations professional (Series 99) in June 2012. Feliciano remained with MSSB until it filed a Uniform Termination Notice for Securities Industry Registration (the "Form U-5") on August 24, 2012, reporting that on July 26, 2012 Feliciano was terminated for having "made a stock journal entry in Citigroup's system in an attempt to conceal an error she made while previously employed at Citigroup." Feliciano is not currently employed by a FINRA member.

Pursuant to Article V, Section 4 of FINRA's By-Laws, FINRA retains jurisdiction

over Feliciano until at least August 23, 2014.

RELEVANT DISCIPLINARY HISTORY

Feliciano has no formal disciplinary history.

OVERVIEW

From 2010 through June 2012, Feliciano entered, on at least 20 occasions, false stock journal adjustments into the Firm's system to conceal an over-allocation of shares in a public company attributed to a Firm customer. As a result of failing to timely notify the Firm of the error and by entering false information into the Firm system, Citigroup and MSSB suffered an approximately \$1,500,000 loss.

As a result of this conduct, Feliciano violated NASD Rule 3110 (for conduct before December 5, 2011) and FINRA Rules 4511¹ (for conduct after December 4, 2011) and 2010.

FACTS AND VIOLATIVE CONDUCT

From 2010 through June 2012, Feliciano entered, on at least 20 occasions, false stock journal adjustments into the Firm's system to conceal an over-allocation of 20,133 shares in a public company for a Firm customer. By at least 2010, Feliciano became aware of the over-allocation of shares. Instead of reporting the issue to someone at the Firm, Feliciano concealed the error by creating a false journal entry in the Firm's system which noted that the 20,133 shares were in a "pending" status and awaiting transfer agent clearance. Pending items of this nature would become "aged" after 30 days. On almost a monthly basis, Feliciano briefly removed the "pending" item from the Firm's system and then re-posted it to the system shortly thereafter. Feliciano continued to conceal the over-allocation in this manner on, at least, twenty occasions for over two years.

During 2012, MSSB became aware of Feliciano's conduct and terminated her on July 26, 2012. In an effort to reconcile the position in order to properly account for the shares allocated to the customer, Citigroup and MSSB incurred an approximately \$1,500,000 loss.

FINRA Rule 2010 provides that "[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade." It is well settled that preparation of false firm documents is conduct that is inconsistent with just and equitable principles of trade and violates the high

¹ FINRA Rule 4511 became effective on December 5, 2011.

standards of commercial honor to which FINRA holds registered individuals: therefore, such conduct violates FINRA Rule 2010.

In addition, FINRA Rule 4511, and its predecessor NASD Rule 3110, require each member to make and preserve books and records in conformity with Rules 17a-3 and 17a-4 of the Securities Exchange Act. Rule 17a-4(b)(4) requires that a firm preserve records relating to communications concerning the firm's business, and those records must be accurate.

By entering false information into the Firm's journal entry system at least twenty times Feliciano violated FINRA Rule 2010. By causing her Firm's books and records to be inaccurate Feliciano violating NASD Rule 3110 (for conduct before December 5, 2011) and FINRA Rules 4511 (for conduct after December 4, 2011) and 2010.

B. I also consent to the imposition of the following sanctions:

- a. A five-month suspension from association with any FINRA member in any capacity; and
- b. a fine in the amount of \$10,000.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

The fine shall be due and payable either immediately upon reassociation with a member firm following the five-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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, I specifically and voluntarily waive 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.

I further specifically and voluntarily waive 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

I understand 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 me; and

C. If accepted:

1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. I 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. I 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 my: (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. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me to submit it.

3/18/14
Date

Anne Feliciano
Respondent
Anne C. Feliciano

Accepted by FINRA:

4.15.14
Date

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

R. Best
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