

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120352200-01**

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

RE: Vandham Securities Corp., Respondent
Broker/Dealer
CRD No. 26258

Pursuant to FINRA Rule 9216 of FINRA Code of Procedure, Vandham Securities Corp. ("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 has been a member of FINRA since May 23, 1990, and its registration remains in effect. The firm has the following relevant disciplinary history:

- On January 17, 2012, FINRA accepted an AWC (20070108074) in which the firm was censured and fined a total of \$70,000, which included, in addition to other things, a \$10,000 fine for market order protection violations committed during the review periods January 1, 2007 through June 30, 2007 and January 1, 2008 through March 31, 2008; a \$10,000 fine for TRACE Reporting violations committed during the review periods January 1, 2008 through March 31, 2008, and October 1, 2008 through December 31, 2008; a \$7,500 fine for SEC Rule 605 violations committed during the review periods December 6-7, 2007 and November 1, 2008 through January 31, 2009; and a \$5,000 fine for OATS Reporting violations committed during the review period December 6-7, 2007.

SUMMARY

In Review No. 20120352200, the staff of FINRA's Department of Market Regulation ("the staff") conducted an Over-the-Counter ("OTC") Securities order protection review, for the review period October 1, 2011 through December 31, 2011 ("the first Order Protection review period").

In Review No. 20140397940, the staff conducted a Trading and Financial Compliance Examination ("TFCE"), for the trade dates January 6-7, 2014 ("the TFCE review period").

In Review No. 20130367100, the staff conducted an OTC Securities order protection review, for the review period October 1, 2012 through December 31, 2012 ("the second Order Protection review period").

In Review No. 20130389990, the staff conducted a Late Trade Reporting review regarding transactions in TRACE-eligible Corporate Bonds, for the review period July 1, 2013 through September 30, 2013 ("the first TRACE Reporting review period").

In Review No. 20150443056, the staff conducted a Late Trade Reporting review regarding transactions in TRACE-eligible Corporate Bonds, for the review period October 1, 2014 through December 31, 2014 ("the second TRACE Reporting review period").

In Review No. 20140423060, the staff conducted an OTC Securities Limit Order Display Rule ("LOD") review, for the time period April 1, 2014 through June 30, 2014 ("the LOD review period").

As a result of the reviews described above, the Department of Market Regulation found that the firm committed the following short sale reporting, trade reporting, OATS reporting, customer confirmation, order execution information, order protection and related supervision, TRACE reporting, and limit order display violations:

FACTS AND VIOLATIVE CONDUCT BY RESPONDENT

In connection with Review No. 20140397940, the staff found the following:

1. During the TFCE review period, the firm executed 306 short sale transactions in Reportable Securities and failed to report each of these transactions to the OTC Reporting Facility ("OTCRF") with a short sale modifier. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6624.

2. During the TFCE review period, the firm failed to report the correct Market Center Code to the FINRA/Nasdaq Trade Reporting Facility ("FNTRF") in 258 last sale reports of transactions in eligible securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7230A.
3. During the TFCE review period, the firm transmitted to OATS 45 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports contained inaccurate and/or omitted special handling codes, cancel type flags, account type codes, route reports, share quantities, and timestamps. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
4. During the TFCE review period, the firm failed on 21 occasions to provide written notification disclosing to its customer its correct capacity in the transaction. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
5. For the month of November 2013, the firm made available a report on the covered orders in national market system securities that it received for execution from any person. This report included four instances containing incorrect information as to the total number of covered shares. The conduct described in this paragraph constitutes separate and distinct violations of Rule 605 of Regulation NMS.

In connection with Review No. 20130367100, the staff found the following:

6. During the second Order Protection review period, in seven instances, the firm accepted and held nine customer orders, and failed to execute or immediately execute the customer orders in OTC Securities up to the size and at the same or a better price that the firm executed or satisfied the customer orders. In four of those seven instances, the firm traded for its own account at the same or better prices that would have satisfied the customer orders. These instances are reflected on Exhibit A, which is attached hereto. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 5320 and 2010.
7. During the second Order Protection review period, the firm failed to adequately enforce its order protection written supervisory procedures ("WSPs") in conducting supervisory reviews of its execution of orders in OTC Securities. The conduct described in this paragraph constitutes violations of NASD Rule 3010 and FINRA Rule 2010.

In connection with Review No. 20130389990, the staff found the following:

8. During the first TRACE Reporting review period, the firm failed to report to TRACE 121 secondary market transactions in TRACE-eligible Corporate Debt Securities in a timely manner. These late transactions constituted 4.16 percent of the transactions in secondary market transactions in Corporate Debt Securities that the firm was required to report to TRACE during this review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a), and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

In connection with Review No. 201504430356, the staff found the following:

9. During the second TRACE Reporting review period, the firm failed to report to TRACE 57 secondary market transactions in TRACE-eligible Corporate Debt Securities in a timely manner. These late transactions constituted 2.90 percent of the transactions in secondary market transactions in Corporate Debt Securities that the firm was required to report to TRACE during this review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a), and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

In connection with Review No. 20140423060, the staff found the following:

10. During the LOD review period, the firm failed to display immediately ten customer limit orders in OTC Securities in its public quotation, when each such order was at a price that would have improved the firm's bid or offer in each such security; or when the order was priced equal to the firm's bid or offer for each such security, and the size of the order represented more than a *de minimis* change in relation to the size associated with the firm's bid or offer in each such security. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6460.

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

A censure;

A total fine of \$62,500 (\$7,500 for the short sale indicator reporting violations, \$7,500 for the FNTRF trade reporting violations, \$5,000 for the OATS reporting violations, \$2,500 for the customer confirmation violations, and \$5,000 for the SEC Rule 605 violations cited in TFCE Review No. 20140397940; \$7,500 for the order protection violations and \$5,000 for the supervision violations cited in Review No. 20130367100; \$7,500 for the TRACE reporting violations cited in Review No.

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20130389990; \$7,500 for the TRACE reporting violations cited in Review No. 20150443056; and \$7,500 for the limit order display violations cited in Review No. 20140423060).

An undertaking to conduct a comprehensive review of the adequacy of the firm's policies, systems and procedures (written and otherwise) regarding order protection to ensure that the firm has addressed its order protection obligations and the supervisory violations described in paragraph I.A.7. 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 e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing, at a minimum, the following information: (1) a reference to this matter; (2) a representation that the firm has addressed the supervisory violations described above in paragraph I.A.7.; and (3) the date the cited supervisory deficiencies were addressed. This signed letter or e-mail shall also, at a minimum contain:

- i. A description of the review performed by the firm and the factual conclusions reached;
- ii. A list of all recommendations for modifications and/or additions to the firm's supervision of order protection, and the dates of all actual and/or planned implementation of such recommendations; and
- iii. The specific steps taken by supervisory personnel to ensure the firm's compliance in the above-mentioned areas.

Upon written request showing good cause, FINRA Staff may extend any of the procedural dates set forth herein.

In addition, the firm shall make restitution to the investors listed on Exhibit A attached hereto, in the total combined amount of \$300.60, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this AWC is accepted by the NAC. A registered principal of the firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution, to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850** no later than 120 days after acceptance of this AWC. If, for any reason, Respondent cannot locate any customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer last resided. The imposition of a restitution order or any

other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments 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 the firm is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

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 Formal Complaint issued specifying the allegations against the firm;**
- B. To be notified of the Formal 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 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.

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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, 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;**
- 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 accordance with FINRA Rule 8313;**
 - 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.**

Date 3/16/2016

By:

Name:

Title:

April 1, 2016
Date

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Part I: Triggering Transactions												Part II: Order Details				
Exception #	Trade Date	Trade Report Time	Execution Time	Firm	Capacity	Side	Trade Vol	Issue Symbol	Trade Price	Counter Party	Exception Type	Order Received Date	Order Received Time	Quantity	Limit Price	Restitution Amount
1	10/11/12	11:53:21	11:53:20	VNDM	P	S	5,460	SSRAP	13.75	BD	Quantity	10/5/12	15:14:09	900	13.70	N/A
												10/5/12	15:17:55	700	13.75	N/A
												10/5/12	15:18:49	300	13.75	N/A
2	10/24/12	12:24:23	12:23:24	VNDM	P	B	3,000	GSCLP	25.00	BD	Quantity	10/24/12	12:20:07	2,000	25.02	\$40.00
3	10/31/12	15:58:53	15:58:53	VNDM	P	B	400	RFAAL	24.80	BD	Price	10/31/12	15:57:39	400	24.90	\$20.00
4	11/15/12	13:52:39	13:52:38	VNDM	P	B	201	OROVF	6.00	BD	Price	11/15/12	13:47:34	1,826		\$40.20
5	12/19/12	14:32:35	14:32:34	VNDM	P	B	152	KUBTF	11.35	BD	Quantity	12/19/12	14:27:28	1,125		\$53.20
6	12/19/12	14:32:53	14:32:52	VNDM	P	B	320	OROVF	6.30	BD	Quantity	12/19/12	14:27:37	3,612		\$80.00
7	12/21/12	12:47:26	12:47:25	VNDM	P	B	112	LGTHF	18.20	BD	Price	12/21/12	12:36:38	177		\$67.20

Total Restitution Amount: \$300.60

Vandham Securities Corp.
Statement of Corrective Action

Respondent Vandham Securities LLC ("Vandham") respectfully submits the following Statement of Corrective Action to be considered by the Department of Market Regulation, Office of Disciplinary Affairs and/or the National Adjudicatory Council along with the Letter of Acceptance, Waiver and Consent signed by Respondent and dated _____. This Statement of Corrective Action is submitted by the Respondent, Vandham. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

Prior to entering into the AWC, Vandham engaged in the following corrective action:

- With respect to the findings that Vandham failed to report trade information accurately, as referenced in the AWC, Vandham determined that these errors occurred when Vandham changed to a new order management system ("OMS"). After Vandham discovered the issue, it worked with the OMS vendor to resolve the issue and properly report required trade information. Vandham subsequently tested these modifications to ensure that trade information is being properly reported by its OMS.
- With respect to trading in violation of FINRA Rule 5320, Vandham determined that the violation resulted from a failure to properly record oral "do not cross" instructions from its customer. Based on the oral instructions, Vandham understood that it was not required to either refrain from trading such securities for its own account at the same or better prices or immediately execute the customers' orders at the same or better prices as its execution. However, Vandham was unable to verify the instruction in response to FINRA's inquiries. To ensure that the all of the terms of an order are properly reflected in its books and records, Vandham has revised its policies and procedures to require that all oral instructions be recorded contemporaneously in the firm's books and records.