

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013035136402**

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

RE: Stock USA Execution Services, Inc. (BD No. 107403)
Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Stock USA Execution Services, Inc. ("Stock USA" 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

Stock USA became a member of FINRA on April 23, 2001. At all times relevant herein, Stock USA offered self-directed online brokerage services to customers. Stock USA is headquartered in Carmel, New York. The Firm currently has seven registered persons.

RELEVANT DISCIPLINARY HISTORY

Stock USA does not have any relevant disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities regulator.

OVERVIEW

From June 2011 through June 2013 (the "Relevant Period"), Stock USA failed to demonstrate appropriate principal approval of certain advertising materials,

including communications on the Firm's websites and social media accounts. Also, certain communications on the Firm's websites and social media accounts failed to comport with the requirements of Rule 2210. As a result, Stock USA violated NASD Conduct Rules 2210(b), 2210(d)(1)(A), and 2210(d)(1)(B) and FINRA Rules 2210(b), 2210(d)(1)(A), 2210(d)(1)(B), 2220(b) and 2010.

In addition, the Firm failed to enforce its written supervisory procedures concerning registered representatives' outside securities accounts and registered representatives' use of personal email accounts to communicate with customers, in violation of NASD Conduct Rule 3010(b) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. Failure to Approve Certain Advertising Materials

NASD Conduct Rule 2210(b)(1) required a registered principal of a firm to "approve by signature or initial and date each advertisement, item of sales literature and independently prepared reprint before the earlier of its use or filing with [FINRA's] Advertising Regulation Department."

FINRA Rule 2210(b)(1), which replaced NASD Conduct Rule 2210 as of February 4, 2013, provides that "An appropriately qualified registered principal of the member must approve each retail communication before the earlier of its use or filing with FINRA's Advertising Regulation Department."

In addition, FINRA Rule 2220(b)(1) requires that "all retail communications . . . issued by a member concerning options shall be approved in advance by a Registered Options Principal designated by the member's written supervisory procedures."¹

During the Relevant Period, Stock USA's written supervisory procedures stated that its Chief Compliance Officer, BF, was responsible for preapproving advertising materials contained within the Firm's sales literature, websites, and social media accounts. Similarly, the Firm's procedures required BF to preapprove online webinars. However, BF failed to preapprove certain communications on the Firm's websites, social media accounts and webinars, as required.

Specifically, BF failed to review and preapprove advertisements contained within two of Stock USA's websites. Similarly, BF did not review and preapprove retail communications on the Firm's social media accounts. Further, the Firm could not demonstrate that certain posts on Stock USA's social media pages relating to options trading were approved in advance by any Registered Options Principal.

¹ FINRA Rule 2220 was in effect from December 14, 2009.

Additionally, during the Relevant Period, a number of registered representatives at the Firm's branch located in White Plains, New York (the "White Plains Branch") conducted webinars touting various online trading strategies. BF did not review and preapprove any of these webinars, as required.

By failing to ensure appropriate principal approval of certain advertising materials, Stock USA violated NASD Conduct Rule 2210(b) and FINRA Rules 2210(b), 2220(b) and 2010.

2. Unbalanced, Exaggerated and Misleading Statements

NASD Conduct Rule 2210(d)(1)(A) stated:

All member communications with the public shall be based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service. No member may omit any material fact or qualification if the omission, in the light of the context of the material presented, would cause the communications to be misleading.

FINRA Rule 2210(d)(1)(A), which replaced NASD Conduct Rule 2210(d)(1)(A) effective February 4, 2013, contains nearly identical requirements.

NASD Conduct Rule 2210(d)(1)(B) stated:

No member may make any false, exaggerated, unwarranted or misleading statement or claim in any communication with the public. No member may publish, circulate or distribute any public communication that the member knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading.

FINRA Rule 2210(d)(1)(B), which replaced NASD Conduct Rule 2210(d)(1)(B) effective February 4, 2013, contains nearly identical requirements.

During the Relevant Period, six Firm websites and eight of the Firm's social media accounts contained exaggerated, misleading and/or unwarranted statements.

For example, one of Stock USA's websites and an associated social media page listed pricing "options" that were inaccurate and not fair and balanced in several respects. First, neither the website nor the social media page explained the various conditions and exceptions associated with the listed prices. Second, the website contained a "brokerage comparison" chart comparing the fees charged by Stock USA to other broker-dealers that included an inaccurate and outdated schedule of fees. Finally, neither the website nor the associated social media page disclosed in the discussion of pricing options that Stock USA charged an "inactivity fee" to customer accounts that executed less than 15 trades per month.

Instead, this information was disclosed in an unrelated section of the website entitled, "About Us."

Moreover, dozens of statements contained within Stock USA's websites and social media accounts were exaggerated and/or unwarranted, including the following:

- The statement on a Firm website that "Many brokers offer solutions for automated trading, but none have Stock USA's combination of liquidity, speed and affordability";
- The statements on a Stock USA website that the Firm "provides lower trading fees, so you have more money in your pocket after every trade" and the Firm "is the best place to trade Stocks and Options";
- The statements on a Stock USA website that "We have helped thousands of traders improve their trading results from day 1" and the Firm "Trained Traders profit in bearish and bullish environments alike"; and
- The statement on a Firm social media page, "Not had a losing week in the past 9 months!"

By virtue of the foregoing, Stock USA violated NASD Conduct Rules 2210(d)(1)(A) and 2210(d)(1)(B) and FINRA Rules 2210(d)(1)(A), 2210(d)(1)(B) and 2010.

3. Failure to Enforce the Firm's Procedures Regarding Registered Representatives' Outside Securities Accounts

NASD Conduct Rule 3010(b) requires member firms to establish, maintain and enforce written supervisory procedures reasonably designed to supervise their associated persons to ensure compliance with applicable securities laws and regulations and NASD rules.

Stock USA's procedures stated the following regarding the review of representatives' outside securities accounts:

SECURITIES ACCOUNTS - a registered representative who should open a securities account with another FINRA member will provide information regarding this account and confirmations will come to the firm's home office. The CCO will review all trades. All transactions will be initialed and filed in an "Outside Accounts" binder.

During the Relevant Period, BF failed to conduct an adequate review of transactions in outside securities accounts held by registered representatives at the Firm's White Plains Branch. Specifically, the White Plains Branch maintained

hard copies of representatives' outside brokerage account statements but failed to forward the statements to the Firm's CCO for review and approval. Also, BF failed to send instructions to the outside brokerage firms advising that duplicate statements should be sent to the Firm's Compliance Department. Finally, BF permitted JE, the branch manager of the White Plains Branch, to review and approve his own outside brokerage account statements.

By failing to enforce the Firm's procedures regarding the supervision of registered representatives' outside securities accounts, Stock USA violated NASD Conduct Rule 3010(b) and FINRA Rule 2010.

4. Failure to Enforce the Firm's Procedures Regarding Registered Representatives' Use of Outside Email Accounts

Stock USA's procedures stated that as CCO, BF was responsible for reviewing incoming and outgoing correspondence, including email. The procedures further stated that "the Firm does not allow the use of any outside e-mail accounts for correspondence to its customers."

During the Relevant Period, three representatives from the Firm's White Plains Branch used personal email accounts to communicate with Firm customers. None of these email accounts had been registered with the Firm's email review system. Moreover, each of these representatives sent emails from their personal accounts to BF and other Firm principals. Accordingly, the Firm should have taken steps to investigate whether these representatives were using the outside email accounts to communicate with customers in violation of the Firm's procedures. Nevertheless, Stock USA failed to investigate the representatives' use of outside email accounts and failed to prevent the representatives from using these outside email accounts or to have the accounts registered with the Firm.

By failing to enforce the Firm's procedures regarding the supervision of registered representatives' use of outside email accounts, Stock USA violated NASD Conduct Rule 3010(b) and FINRA Rule 2010.

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

- a censure and a \$35,000 fine

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. The Firm has submitted an Election of Payment form showing the method by 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 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 Chief Legal Officer, 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:

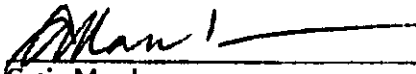
1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. 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: (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. 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.

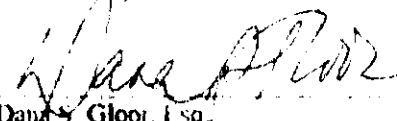
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, threat, 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 the Firm to submit it.

Stock USA Execution Services, Inc.

06/10/2015
Date (mm/dd/yyyy)

By: 
Craig Manderson
Chief Executive Officer

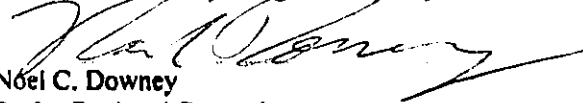
Reviewed by:


Dana S. Gloor, Esq.
Counsel for Respondent
Miles & Stockbridge P.C.
100 Light Street
Baltimore, Maryland 21202
Tel: (410) 727-6464
Fax: (410) 777-9125

Accepted by FINRA

7/10/2015
Date

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


Noel C. Downey
Senior Regional Counsel
FINRA Department of Enforcement
581 Main Street - Room 710
Woodbridge, NJ 07095
732-596-2042 (telephone)
202-721-6548 (facsimile)