

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014039095801**

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

RE: First Dallas Securities, Inc., Respondent
Member Firm
CRD No. 24549

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent First Dallas Securities Inc. ("Respondent," the "Firm," or "First Dallas") 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 me 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 Dallas has been a FINRA member firm since 1989. First Dallas conducts a general securities business and is headquartered in Dallas, Texas. The Firm currently has approximately 24 registered representatives and one branch office.

OVERVIEW

Between January 1, 2010 and November 30, 2014, the Firm improperly charged ticket charges in at least 449 transactions involving 129 accounts for clients of its affiliated Registered Investment Advisor ("RIA"). The total amount of overcharged ticket charges was \$42,530, which First Dallas has voluntarily repaid to the affected customers. First Dallas thus did not have an adequate supervisory system to ensure that customers of its affiliated RIA were charged the appropriate ticket charge, and thereby violated NASD Rule 3010(a) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

NASD Rule 3010(a) requires that each member firm establish and maintain a supervisory system and written procedures that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD and FINRA Rules.

FINRA Rule 2010 requires that member firms observe high standards of commercial honor and adhere to just and equitable principles of trade. A violation of NASD Rule 3010 also constitutes a violation of FINRA Rule 2010.

First Dallas is affiliated with HCM, an SEC-registered RIA. Trades on behalf of HCM's clients are placed through First Dallas' trade processing platform, which incurs transaction and handling fees that are assessed by First Dallas' clearing firm. Some or all of these fees are passed on by First Dallas to HCM's clients in the form of a ticket charge. Because First Dallas permits its representatives (who are all dually registered with HCM) to determine the amount of the ticket charge (if any) that will be assessed to their clients, these charges are not uniform. Indeed, First Dallas' representatives utilized at least twelve different ticket charge structures in connection with trade processing, including varying flat fees, per-share fees, and hybrid fees. These fees were disclosed in the customers' advisory agreements with HCM.

First Dallas failed to have a supervisory system in place to ensure that each customer was charged only the fee that was disclosed in that customer's advisory agreement. As a result, the Firm often assessed a ticket charge that was different than the disclosed amount, and in many cases, this fee resulted in the customer being charged a fee that exceeded the agreed amount. These improper charges also were assessed in connection with the processing of block trades, which generally resulted in the assessment of a higher processing fee for brokerage transactions.

Collectively, First Dallas improperly charged customers a total of \$42,530 in 449 transactions. These charges affected 129 client accounts. First Dallas, which learned of the improper charges during the course of a routine FINRA examination, has reimbursed its customers the full amount of the excessive charges.

By failing to have a supervisory system that was reasonably designed to prevent improper charges to its customers, First Dallas violated NASD Rule 3010(a) and FINRA Rule 2010.

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

Censure and a \$45,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent 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 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 it; 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 me;
 - 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 Respondent 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.

02/27/2017
Date (mm/dd/yyyy)

Respondent First Dallas Securities, Inc.

By: KIRK

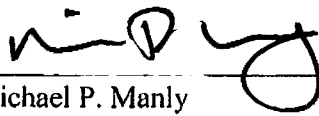
Name: ROBERT KIRCH

Title: PRESIDENT & COO

Accepted by FINRA:

3/14/2017
Date

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


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