

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014039129301**

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

RE: Herbert Garrett Frey, Respondent
Former Registered Representative and Principal
CRD No. 214237

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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

Herbert Garrett Frey ("Frey" or "Respondent") began in the industry as a general securities representative in 1962. He became registered as a general principal in 1966, and as a Financial Operations Principal ("FINOP") in 1983, and has been registered with several FINRA member firms in those capacities, as well as other capacities, since then. From April 2000 to August 2014, Frey was registered with Jettrade, Inc. ("Jettrade" or "Firm") in a variety of capacities, including as FINOP, and was Jettrade's CEO and owner. Jettrade withdrew from FINRA membership effective October 2014. After Jettrade, Frey was registered with a few different FINRA member firms, and was discharged on June 17, 2016. He remains subject to FINRA's jurisdiction pursuant to Article V Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Frey has no relevant disciplinary history.

OVERVIEW

In 2013, while Frey was acting as Jettrade's FINOP, Frey violated FINRA Rule 4110(c)(1), and FINRA Rule 2010 for causing Jettrade to violate the provisions of the Securities Exchange Act of 1934 ("Exchange Act") relating to net capital and books and records requirements, and the rules promulgated thereunder, specifically Rules 15c3-1(a), 15c3-1d, 17a-3(a)(2), 17a-3(a)(11), and 17a-5(a).

FACTS AND VIOLATIVE CONDUCT

During the 2013 calendar year, Frey, acting as FINOP, caused Jettrade to fail to maintain its minimum required net capital while engaging in a securities business as of nine (9) of the twelve (12) months-end. The Firm's minimum required net capital was \$100,000 and was net capital deficient during those nine months ranging from \$21,751 to \$42,154. There were several factors that led to the net capital deficiencies.

First, in connection with a written expense sharing agreement between the Firm and its holding company, the Firm through Frey failed to accrue for all liabilities applicable to the Firm for each month-end in 2013.

Second, the Firm through Frey failed to accurately reconcile the Firm's bank account statements for three months-end in 2013.

Third, the Firm through Frey failed to accurately compute haircuts on its proprietary positions and on the securities held as collateral for the Firm's approved subordinated loan for each month-end in the 2013 calendar year.

Fourth, in an attempt to maintain the minimum required net capital, for each of the 9 months that the Firm was net capital deficient, Frey deposited funds into the Firm's bank account at month-end, and withdrew those funds from the bank account typically within a few days of the deposits.

As a result of the above, in addition to net capital deficiencies, the Firm through Frey failed to prepare and maintain an accurate general ledger, trial balance and balance sheet for each month-end in 2013. Also as a result of the above, the Firm through Frey filed inaccurate FOCUS filings for each month in 2013. Therefore, Frey violated FINRA Rule 2010 for causing the Firm to violate Sections 15(c) and 17(a) of the Exchange Act, and the Rules promulgated thereunder, specifically Rules 15c3-1(a), 15c3-1d, 17a-3(a)(2), 17a-3(a)(11), and 17a-5(a).

Moreover, the capital additions and withdrawals described above resulted in the Firm's failure to comply with FINRA Rule 4110(c)(1) because the equity capital remained in the Firm less than one year from the date the addition was made, and because the Firm failed to receive written approval from FINRA prior to

withdrawing the equity capital. As a result, Frey violated FINRA Rules 4110(c)(1) and 2010.

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

- A deferred fine of \$5,000;
- A suspension from associating with any FINRA member firm in any FINOP capacity for 45 days; and
- A requirement to requalify as a FINOP by passing the requisite examination prior to either acting in that capacity with any FINRA member, or registering with any FINRA member as a FINOP, following the suspension.

The fine shall be due and payable either immediately upon reassociation with a member firm, 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.

I understand that if I am barred or suspended from associating with any FINRA member in a FINOP capacity, 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 a FINOP capacity during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the FINOP suspension, if I remain associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

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 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.

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:

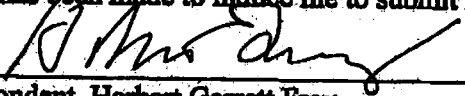
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will 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 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. 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.

6/22/2016
Date (mm/dd/yyyy)


Respondent, Herbert Garrett Frey

Accepted by FINRA:

6/29/16

Date

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

Miki Vucic Tesija

Miki Vucic Tesija, Senior Regional Counsel
FINRA Department of Enforcement
55 W. Monroe Street, Ste. 2700
Chicago, Illinois 60603
(312)899-4600
Miki.Tesija@finra.org