

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014039579601**

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

**RE: Fieldstone Services Corp., Respondent
Member Firm
BD No. 27851**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Fieldstone Services Corp. (BD No. 27851) ("Fieldstone," "the Firm" or "Respondent") 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 Respondent 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

Fieldstone has been a FINRA member since 1991. The Firm is located in New York, New York. Approximately 11 individuals are currently registered through the Firm. The Firm's primary business lines are the sale of equities and corporate bonds on an agency basis to institutional customers and providing advisory services to clients with respect to corporate restructurings, recapitalizations, leveraged buyouts and similar financings.

RELEVANT DISCIPLINARY HISTORY

Fieldstone has the following relevant disciplinary history:

- On May 17, 2010, FINRA accepted an AWC from Fieldstone wherein the Firm was fined \$7,500 and censured. The Firm consented to the entry of findings that it violated SEC Rule 15c3-1 and NASD Rule 2110. The

Firm conducted a securities business while net capital deficient as a result of a failure to take necessary haircuts on securities positions.

- On September 7, 2006, FINRA accepted an AWC from Fieldstone wherein the Firm was fined \$150,000 and censured. The Firm consented to the entry of findings that it violated: (i) SEC Rule 15c3-1 and NASD Conduct Rule 2110 for a net capital violation as a result of failing to have a Proprietary Accounts of Introducing Brokers and Dealers Agreement in effect with its clearing firm; (ii) SEC Rule 17a-4 and NASD Conduct Rules 3110 and 2110 by failing to preserve and maintain email communications; (iii) SEC Rule 17a-5 and NASD Conduct Rule 2110 for failing to file its annual audit report for 2003 in a timely manner; (iv) NASD Conduct Rules 1017, 2110 and 3010 by engaging in equity transactions without amending its membership agreement and without updating written supervisory procedures; (v) NASD Conduct Rules 3110 and 2110 by failing to time stamp order tickets; and (vi) SEC Rule 10b-10 and NASD Conduct Rule 2110 by failing to indicate correct capacity on customer confirmations.

OVERVIEW

During the period of at least March 2012 to April 2014, Fieldstone permitted an individual to function as a principal of the Firm even though that individual did not hold any principal registrations. This misconduct violated NASD Membership and Registration Rule 1021 and FINRA Rule 2010. Fieldstone also failed to ensure that a principal of the Firm evidenced reviews of transactions and electronic correspondence, in violation of NASD Conduct Rule 3010(d)(1) and FINRA Rule 2010. Finally, on May 23, 2014 and June 3, 2014, Fieldstone conducted a securities business while under its minimum net capital requirement in violation of Section 15(c) of the Securities Exchange Act of 1934 ("Exchange Act"), SEC Rule 15c3-1 promulgated thereunder and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. Registration Violation

NASD Rule 1021(a) provides, in pertinent part, that: "[a]ll persons engaged or to be engaged in the investment banking or securities business of a member who are to function as principals shall be registered as such with NASD in the category of registration appropriate to the function to be performed as specified in Rule 1022."

Rule 1022(a)(1), in turn, provides, in pertinent part, that each person associated with a member who is included within the definition of principal in Rule 1021 is required to register as a General Securities Principal ("GSP"), unless such person's duties are so limited as to qualify him for one or more of the limited

categories of principal registration.

Rule 1021(b) defines a "principal" as a sole proprietor, officer, partner, manager of an OSJ, or director of a corporation who is "actively engaged in the management of the member's investment banking or securities business, including supervision, solicitation, conduct of business or the training of persons associated with a member for any of these functions are designated as principals."

During the period of at least March 2012 to April 2014, Fieldstone assigned supervisory responsibility for certain areas of the Firm's business to LE, a person who was registered through the Firm as a general securities representative and operations professional, but not as a GSP. LE's designated responsibilities included, for example, review and approval of new accounts, trade reviews, reviews of customer orders and order tickets, reviews for markups/markdowns and commissions, review of electronic correspondence and Bloomberg messages, supervision of the Firm's reporting to FINRA's Trade Reporting and Compliance Engine ("TRACE") and supervision of outside brokerage accounts.

By permitting LE to engage in the management of the Firm's securities business without being licensed as a GSP, Fieldstone violated NASD Membership and Registrations Rule 1021(a) and FINRA Rule 2010.

2. Supervision Violation

NASD Conduct Rule 3010(d)(1) provides that "[e]ach member shall establish procedures for the review and endorsement by a registered principal in writing, on an internal record, of all transactions and for the review by a registered principal of incoming and outgoing written and electronic correspondence of its registered representatives with the public relating to the investment banking or securities business of such member."

During the period of at least March 2012 to April 2014, LE was the only Fieldstone employee who signed trade tickets and evidenced reviews of Fieldstone's electronic correspondence. Thus, Fieldstone did not obtain: (i) the endorsement, by a registered principal, of transactions effected by the Firm, and (ii) evidence of review by a principal of the Firm's incoming and outgoing electronic correspondence.

By reason of the foregoing, Fieldstone violated NASD Conduct Rule 3010(d)(1) and FINRA Rule 2010.

3. Net Capital Violations

SEC Rule 15c3-1 prohibits a broker-dealer from engaging in a securities business if its net capital falls below certain required amounts. During May and June 2014, the Firm's required net capital was the greater of \$5,000 or 6 and 2/3rds percent

of aggregate indebtedness, pursuant to such Rule.

Fieldstone conducted a securities business while under its minimum net capital requirement on two dates:

- On Friday, May 23, 2014, Fieldstone's minimum net capital requirement was the greater of \$5,000 or \$9,371.65, pursuant to SEC Rule 15c3-1(a)(1)(i) (the Aggregate Indebtedness Standard). On this date, the Firm's actual net capital was \$536.26, a deficiency of \$8,835.39.
- On Wednesday, June 4, 2014, Fieldstone's minimum required net capital was the greater of \$5,000 or \$10,396.84, pursuant to SEC Rule 15c3-1(a)(1)(i) (the Aggregate Indebtedness Standard). On this date, the firm's actual net capital was (\$28,018.84), a deficiency of \$38,415.18.

By reason of the foregoing, Fieldstone violated Section 15(c) of the Securities Exchange Act of 1934 ("Exchange Act"), SEC Rule 15c3-1 promulgated thereunder and FINRA Rule 2010.

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

- A censure; and
- A fine in the amount of \$20,000.¹

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondent has submitted an Election of Payment form showing the method by which Respondent proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that Respondent is unable to pay, now or at any time hereafter, the monetary sanctions 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 Respondent;

¹ Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the Firm's revenues and financial resources. See Notice to Members 06-55.

- 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 prejudice 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:

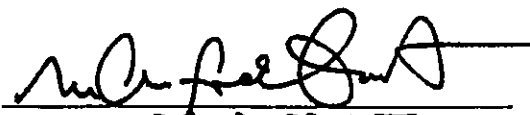
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of my 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 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. Respondent 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.

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 Respondent to submit it.

09/25/2015
Date (mm/dd/yyyy)

Fieldstone Services Corp.

By: 
Name: MANFRED ERNST
Title: President

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