

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014040769402**

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

RE: Northeast Securities, Inc. (n/k/a Northeast Securities, LLC), Respondent
Member Firm
CRD No. 25996

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Northeast Securities, Inc. (n/k/a Northeast Securities, LLC) ("Northeast" 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 Northeast alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Northeast 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

Northeast has been a FINRA member firm since April 1990, and its registration remains in effect. Northeast engages in a general securities business and employs approximately 60 registered representatives working from approximately 22 branch offices.

RELEVANT DISCIPLINARY HISTORY

Northeast does not have any relevant disciplinary history.

OVERVIEW

During the period of January 2010 through December 2016, Northeast failed to: (a) maintain reasonable written supervisory procedures ("WSPs") with respect to supervision of outside brokerage accounts and review of electronic communications; and (b) reasonably supervise its review of outside brokerage accounts and electronic communications. By virtue of this conduct, Northeast violated NASD Rules 3010(a), (b) and (d), FINRA Rules 3110(a), (b) and (d), and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 3110(a), like its predecessor NASD Rule 3010(a), requires firms to establish and maintain a system to supervise the activities of its associated personnel that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.¹ FINRA Rule 3110(b) and NASD Rule 3010(b) require firms to establish, maintain and enforce written procedures to supervise the types of business in which they engage and the activities of their associated persons reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. FINRA Rule 3110(b)(4) and NASD Rule 3010(d)(2) require member firms to have supervisory procedures for the review of incoming and outgoing securities-related written correspondence, including electronic correspondence. FINRA Rule 3110(d)(1) and NASD Rule 3010(d)(1) require member firms to establish supervisory procedures for the review of securities transactions by associated persons.

FINRA Rule 2010 requires members to observe high standards of commercial honor and just and equitable principles of trade.

A. Outside Brokerage Accounts

During the period of January 2010 through December 2016 ("Outside Accounts Period"), Northeast failed to maintain reasonable WSPs concerning the review of its registered representatives' outside brokerage accounts and failed to reasonably supervise its review of outside brokerage accounts.

The Firm's WSPs required representatives to disclose any outside brokerage accounts held in their own name, as well as accounts over which they had a financial interest and/or discretionary authority. In addition, the WSPs required duplicate account statements and trade confirmations to be sent contemporaneously to the "designated principal," defined in the WSPs as the Firm's entire Compliance Department. The WSPs stated that designated principals were tasked with reviewing duplicate confirmations and account statements, verifying that outside firms were notified of associated persons' association with the Firm, reviewing internal account documentation and trade records for evidence of unacceptable trading practices and reviewing annual attestations to see if a representative disclosed use of an outside account.

The Firm, however, did not clearly specify in the WSPs the frequency with which accounts should be reviewed. In addition, the Firm did not provide reviewers with guidance about the way in which they should perform their review, including any guidance about the types of information they should identify and analyze or any guidance about how they should document their review. Further, the WSPs did not assign any personnel the responsibility of verifying that the designated principals performed their required tasks.

¹ FINRA Rule 3110 replaced all sections of NASD Rule 3010, effective December 1, 2014.

During the Outside Accounts Period, the Firm failed to request and obtain duplicate account statements for certain of the outside brokerage accounts disclosed by the Firm's associated persons. By way of example, in 2016, the Firm failed to obtain account statements for 20 of 81 (25%) outside brokerage accounts that associated personnel disclosed to the Firm. Because the Firm failed to obtain duplicate account statements, the Firm was unable to perform a reasonable review of internal account documentation and trade records for evidence of any unacceptable trading practices, including insider trading and front-running. In addition, the Firm failed to review certain duplicate account statements it did obtain. By way of example, in 2016, the Firm failed to review 11 statements related to 10 outside brokerage accounts that associated personnel disclosed to the Firm.

Based on the foregoing, Northeast violated NASD Rule 3010(b) (for conduct on or before December 1, 2014), FINRA Rule 3110(b) (for conduct after December 1, 2014), and FINRA Rule 2010.

B. Email Review

During the period of January 2014 through October 2015 ("Email Review Period"), Northeast failed to maintain adequate WSPs concerning email review and failed to reasonably supervise its email review.

Northeast's WSPs did not provide any guidance or requirements about the quantity of emails that should be reviewed or contain any provisions to reasonably ensure that a sufficient number of emails were being reviewed. In addition to identifying emails for review by searching them for certain lexicon terms, the Firm, through its WSPs, required reviewers to review an additional random sample of email for review. The WSPs, however, did not provide the reviewers with any guidance about how to conduct those reviews. Additionally, the WSPs did not provide sufficient guidance about the types of emails that should be escalated for further review and consideration. Further, the WSPs did not contain any guidance or requirements concerning the timeliness for completing its email review.

During the first six months of the Email Review Period, Northeast reviewed only 1.68% of the emails that were responsive to lexicon search terms and random selection, which constituted only 0.54% of total messages that passed through the Firm's servers. In addition, during the Email Review Period, reviewers escalated for further review only 19 emails out of the Firm's over 7 million emails.

Based on the foregoing, Northeast violated NASD Rules 3010(a), (b) and (d) (for conduct on or before December 1, 2014), FINRA Rules 3110(a), (b) and (d) (for conduct after December 1, 2014), and FINRA Rule 2010.

- B. Northeast also consents to the imposition of the following sanctions:
1. A censure;
 2. A \$50,000 fine; and
 3. The following undertakings:
 - a. Written Supervisory Procedures Review and Certification. Northeast will certify to FINRA within ninety (90) days from the date this AWC is accepted, in a writing signed by a registered principal, that it has adopted and implemented policies, procedures and systems that are reasonably designed to address each of the areas of conduct identified in this AWC.
 - b. Outside Brokerage Account Review, Report and Restitution. Northeast will certify to FINRA within one hundred and eighty (180) days from the date this AWC is accepted, in a writing certified by a registered principal, that it has completed a retrospective review of all available or reasonably obtainable records related to outside brokerage accounts disclosed during the Outside Accounts Period reasonably designed to detect potential violations of the federal securities laws and FINRA rules, including those prohibiting insider trading and front-running. If the review shows that any customers were harmed by any misconduct identified during this retrospective review, the Firm is ordered to pay restitution, including interest,² to each such customer. If for any reason Northeast cannot locate any customer entitled to restitution after reasonable and documented efforts within one hundred and fifty (150) days from the date this AWC is accepted, Northeast shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property or abandoned property fund for the state in which the customer is last known to have resided. A registered principal of Northeast will submit satisfactory proof of payment of restitution or of reasonable and documented efforts to effect restitution. Such proof shall be submitted to Dana M. Roth, Senior Counsel, FINRA - Enforcement Department, 200 Liberty Street, One Brookfield Place, New York, New York 10281-1003 within 180 days from the date this AWC is accepted. The Firm also will comply with all reporting obligations required by FINRA Rule 4530, the Uniform Application for Securities Industry Registration or Transfer (Form U4), and the Uniform Termination Notice for Securities Industry Registration (Form U5), as a result of its findings out of the retrospective review.
 - c. Risk-Based Email Review and Certification. Northeast will certify to FINRA within one hundred and eighty (180) days from the date this AWC is accepted, in a writing certified by a registered principal, that it has completed a risk-based retrospective review of emails sent or received by its associated personnel during the Email Review Period reasonably designed to detect potential violations of the federal securities laws and FINRA rules, which may include the use of sampling. The Firm also will comply with all reporting obligations under FINRA Rule 4530, Form U4, and Form U5, as a result of its findings out of that review.

² Interest will be calculated at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. §6621, from the date of the subject transaction until the date that restitution is paid.

The certifications described above shall be submitted by letter addressed to Dana M. Roth, Senior Counsel, FINRA - Enforcement Department, 200 Liberty Street, One Brookfield Place, New York, New York 10281-1003. FINRA staff can extend the deadlines set forth above for good cause upon written request from the firm.

* * *

Northeast agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Northeast has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Northeast specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Northeast 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, Northeast 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.

Northeast 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

Northeast 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 Northeast; and
- C. If accepted:
 - 1. this AWC will become part of Northeast's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 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. Northeast 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. Northeast 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. Northeast may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Northeast 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.

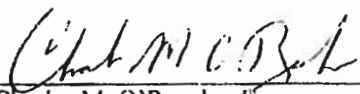
The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC, has been given a full opportunity to ask questions about it; has agreed to its provisions voluntarily; and that no offer, threat, inducement,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

6/11/18
Date (mm/dd/yyyy)


Northeast Securities, Inc.
(n/k/a Northeast Securities, LLC). Respondent

By: CENS STICE, COO

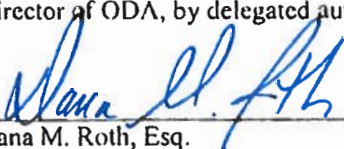
Reviewed by:


Charles M. O'Rourke, Esq.
Counsel for Respondent
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Accepted by FINRA:

June 12, 2018
Date

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


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