

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140410669-01

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

RE: David Lerner Associates, Inc., Respondent
Broker-Dealer
CRD No. 5397

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent David Lerner Associates, Inc. (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

The Firm has been a member of FINRA since October 15, 1970, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The Firm has no relevant prior disciplinary history for purposes of determining sanctions.

SUMMARY

In connection with Star No. 20140410669, the staff of FINRA's Market Regulation Department ("Market Regulation") reviewed the Firm's compliance with TRACE requirements for transactions involving securitized products ("SP") during the period January 1, 2014 through March 31, 2014 (the "1Q14 period").

In connection with Star No. 20150442548, Market Regulation reviewed the Firm's compliance with TRACE requirements for transactions involving SPs during the period October 1, 2014 through December 31, 2014 (the "4Q14 review period").

As a result of its reviews, the Market Regulation staff found violations of TRACE reporting requirements as set forth below.

FACTS AND VIOLATIVE CONDUCT

20140410669 (1Q14 TRACE SP review)

1. During the 1Q14 period, the Firm failed to report to TRACE 59 TRACE-eligible SP transactions within 15 minutes of the time of execution. These 59 transactions constituted 6.00 percent of the total number of transactions in TRACE-eligible SPs that the Firm reported to TRACE during the 1Q14 review period. The conduct described above constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exception circumstances in violation of FINRA Rule 2010.

20150442548 (4Q14 TRACE SP review)

1. During the 4Q14 period, the Firm failed to report to TRACE 96 TRACE-eligible SP transactions within 15 minutes of the time of execution. These 96 transactions constituted 8.89 percent of the total number of transactions in TRACE-eligible SPs that the Firm reported to TRACE during the 4Q14 review period. The conduct described above constitutes separate violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

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

A censure and a fine of \$20,000.

The Firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The Firm 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

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 the Firm;
- 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

The Firm 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 the Firm; and
- C. If accepted:
 - 1. this AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the Firm's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. The Firm 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. The Firm 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. The Firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm 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 it has agreed to the AWC's 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.

10/7/16
Date

Respondent
David Lerner Associates, Inc.

By: J C Picard
Name: Joseph C. Picard
Title: SVP, General Counsel

Reviewed by:

J C Picard
Counsel for Respondent

Accepted by FINRA:

10/9/15
Date

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

Lara M. Posner
Lara M. Posner
Chief Counsel
Department of Market Regulation