

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140413239-01**

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

RE: Beech Hill Securities, Inc., Respondent
Broker-Dealer
CRD No. 24771

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Beech Hill Securities, Inc. (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 the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm 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 AND RELEVANT DISCIPLINARY HISTORY

The firm became a member of FINRA on September 29, 1989, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In 20140413239, the staff in the Department of Member Regulation and Market Regulation's Municipal Securities Trade Reporting Section (the "staff") reviewed the firm's compliance with Municipal Securities Rulemaking Board ("MSRB") Rule G-15(f) during the period January 1, 2012 through March 31, 2015 (the "review period").

MSRB Rule G-15(f)(i) prohibits a broker, dealer, or municipal securities dealer from effecting a customer transaction in municipal securities issued after June 1, 2002 in an amount lower than the minimum denomination of the issue.

Issuers set minimum denominations for the purchase or sale of municipal securities and disclose those minimum denominations in Official Statements, which are documents

prepared by or on behalf of the issuer of municipal securities in connection with a primary offering. Minimum denominations generally range from \$5,000 to \$100,000. An issuer may set a minimum denomination at \$100,000 or higher to qualify for one of several exemptions from Securities Exchange Act Rule 15c2-12, which is designed to ensure production of certain disclosure documents in the primary and secondary markets. In addition, an issuer may set high minimum denominations because of a concern that the offered securities may not be appropriate for retail investors who are likely to purchase securities in relatively small amounts.

There are two limited exceptions to executing transactions below the minimum denomination. First, under MSRB Rule G-15(f)(ii), a dealer may purchase municipal securities from a customer in an amount below the minimum denomination of the issue if the dealer determines that the customer's position in the issue is already below the minimum denomination and the customer's entire position in the issue would be liquidated by the transaction.

Second, under MSRB Rule G-15(f)(iii), a dealer may sell municipal securities to a customer in an amount below the minimum denomination of the issue if the dealer determines that the position being sold resulted from the liquidation of another customer's entire position in the issue which was below the minimum denomination of the issue. Additionally, a dealer selling under MSRB Rule G-15(f)(iii) must, at or before the completion of the transaction, notify the customer that the amount of the transaction is below the minimum denomination of the issue and that this may adversely affect the liquidity of the customer's position.

Under MSRB Rule G-15(f), brokers, dealers, and municipal securities dealers may not sell (or buy) municipal securities in amounts below the minimum denomination of an issue to a customer regardless of whether the customer holds or would hold a position in the issue which is equal to or exceeds the minimum denomination of the issue.

FACTS AND VIOLATIVE CONDUCT

As a result of the review, the staff determined that during the review period:

1. The firm effected 12 customer transactions in a municipal security in an amount lower than the minimum denomination of the issue which were not subject to an exception under the rule. These transactions are detailed in Exhibit A, attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-15(f).
2. The firm failed to disclose all material facts concerning 11 municipal securities transactions at or prior to the time of trade. Specifically, the firm failed to inform its customer that the municipal securities transaction was in an amount below the minimum denomination of the issue. In Notice 2002-05, the MSRB stated that a dealer should consider a transaction below an issue's minimum denomination to

be a material fact that generally requires disclosure to the customer. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-17 (for transactions executed before July 5, 2014) or MSRB Rule G-47 (for transactions executed after July 5, 2014).

3. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the MSRB rules, concerning municipal securities transactions effected on behalf of a customer below an issue's minimum denominations as stated on relevant offering statements. Specifically, as required by MSRB Rule G-27, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the person responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory steps to be taken by the identified person(s); (3) a statement as to how often such person should take such steps; and (4) a statement as to how the completion of the steps included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes a violation of MSRB Rule G-27.

B. The firm also consents to the imposition of the following sanctions:

- A censure;
- A fine of \$30,000; and
- Rescission must be offered to the customers who executed the transactions listed on Exhibit A hereto at either the original purchase price or the current fair market value, whichever is higher. The offer of rescission shall remain open with the affected customer for a period of 60 days. A registered principal on behalf of the firm shall submit satisfactory proof of offer of the rescission, or of reasonable and documented efforts undertaken to effect rescission, including the offered price and a description of how the offered price was determined. Such proof shall be submitted to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, either by letter that identifies the Respondent and case number, or by email from a work-related account of the registered principal of the firm to MarketRegulationComp@finra.org. This proof shall be provided to FINRA no later than 90 days after acceptance of this AWC.
- An undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.3. Within 30 business days of acceptance of this AWC by the NAC, a registered principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information:

(1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in this paragraph; and (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. The firm 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 imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

The firm 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm 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.

The firm 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 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. 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.

12/7/15
Date

Respondent
Beech Hill Securities, Inc.

By: Donna Fiorini

Name: Donna Fiorini

Title: CCO

Reviewed by:

Adrienne M. G. (S)
Attorney Name Adrienne M. Wagoner
Counsel for Respondent Marcuff Grossman & Stibel LLP
Firm Name 1345 Avenue of the Americas
Address New York NY 10105
City/State/Zip 212 370-1300
Phone Number

Accepted by FINRA:

12/22/15
Date

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

Robert A. Marchman
Robert A. Marchman, Esq.
Executive Vice President
Department of Market Regulation

Beech Hill Securities, Inc. ("CWEI")
Review Period: January 1, 2012 through March 31, 2015
Review Number: 20140413239

Exhibit A

Item	Trade Date	CUSIP	Seller	Volume	Price	Buyer
1	03/10/2014	41154VAB5	CWEI	\$ 25,000.00	108.18	CUST
2	03/10/2014	41154VAB5	CWEI	\$ 25,000.00	108.18	CUST
3	06/17/2014	186103FA0	CWEI	\$ 10,000.00	98.79	CUST
4	07/17/2014	420510DK2	CWEI	\$ 20,000.00	102	CUST
5	08/08/2014	295095BA0	CWEI	\$ 30,000.00	78	CUST
6	12/17/2014	80328LBQ1	CWEI	\$ 10,000.00	98.5	CUST
7	02/12/2015	93978LDD5	CWEI	\$ 40,000.00	101	CUST
8	02/12/2015	93978LDD5	CWEI	\$ 85,000.00	101	CUST
9	02/20/2015	528819DF9	CWEI	\$ 20,000.00	101.25	CUST
10	02/20/2015	840268AA8	CWEI	\$ 10,000.00	100.5	CUST
11	02/20/2015	93978LDD5	CWEI	\$ 25,000.00	101.18	CUST
12	03/26/2015	273106AA2	CWEI	\$ 60,000.00	101.429	CUST

Beech Hill Securities, Inc.
Corrective Action Statement

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

A review conducted by FINRA's Market Regulation Department determined that certain transactions were executed for a value below the respective security's minimum denomination.

Beech Hill Securities, Inc. (hereinafter "BHS") has been a FINRA member firm for over 25 years and is proud of its long standing compliance commitment resulting in the absence any relevant disciplinary history. Although we strive for perfection in our heavily regulated industry, errors are made on occasion.

BHS erroneously purchased eight (8) bonds with a combined value of 320,000 bonds for seven (7) sophisticated clients below the bonds minimum denomination requirements. The effected clients are long term municipal bond clients of Stephen Steglitz, the Firm's Municipal Principal, with historical long term buy and hold preferences. BHS has made an offer of rescission and notified the customers of their rights of rescission. The customers acknowledged the purchase and declined their right to rescind. None of the customers were harmed and no money was lost on the transactions.

As verification of the Firms commitment to compliance and continued desire to operate without relevant disciplinary history, the firm has implemented internal procedures designed to eliminate future purchases of bonds for retail customers below their minimum denomination requirements.

The Firm has established standard procedures to individually review and identify minimum denomination requirements. Stephen now specifically reviews Bloomberg, page 2, for minimum denomination requirements prior to purchasing a bond. If a bond is identified with a minimum denomination requirement, Stephen will add a note regarding the identified minimum requirement to his internal sales control system. This system is driven by CUSIP number and is used by Stephen to monitor his bond history. Additionally, a second same day minimum denomination requirement review has been implemented and is conducted by administrative personnel on municipal transactions in retail client accounts. The secondary review has been incorporated into a daily trading review evidenced on our end of day review sheet. The end of day review sheet is then also reviewed by a separate designated Firm Principal.

We strongly believe that the aforementioned procedures will readily identify bonds with a minimum denomination requirement and are confident that going forward the purchase of a bond with a minimum denomination requirement will not occur in a retail customer account unless the transaction is conducted under an applicable exemption identified in MSRB Rule G-15.

Respondent
Beech Hill Securities, Inc.

By: 
Donna Fiorini, CCO