

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140422051-01

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

RE: Sterne, Agee & Leach, Inc., Respondent Broker-Dealer
CRD No. 791

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Sterne, Agee & Leach 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

The firm has been a member of FINRA since October 16, 1936, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has the following relevant disciplinary history:

- On April 2, 2013 FINRA accepted an AWC in which the firm was censured and fined \$125,000 that included \$40,000 for violations of NASD Rules 2110, 6230(a) and 6230(c)(8) (failing to timely report to the Trade Reporting and Compliance Engine ("TRACE") 134 transactions in TRACE-eligible securities) that occurred during the period from April 1, 2008 through June 30, 2008 (Matter No. 20080147299).
- On November 6, 2012 FINRA accepted an AWC in which the firm was censured and fined \$50,000 that included \$17,500 for MSRB violations (failing to report purchase and sale transactions to RTRS and failing to submit SHORT system information) and \$22,500 for TRACE inaccurate and late reporting violations for matters that occurred in the 4th quarter of 2009 and the 3rd and 4th quarters of 2010 (Matter No. 2010021671901).

SUMMARY

In Review No. 20140422051, the Department of Market Regulation's TRACE Corporate Bond staff ("TRACE staff") reviewed the firm's compliance with FINRA Rule 6730 during the period from July 1, 2014, through September 30, 2014 (the "TRACE review period"). As a result of its review, the staff determined that the firm failed to timely report to TRACE 32 transactions in TRACE-eligible securities.

In Review No. 20150439892, the Department of Market Regulation Municipal Bond staff ("MSRB staff") reviewed the firm's compliance with MSRB Rule G-14, during the period of April 1, 2014 through June 30, 2014 (the "MSRB review period"). As a result of its review, the staff determined that the firm failed to report information regarding 182 purchase and sale transactions effected in municipal securities.

FACTS AND VIOLATIVE CONDUCT

During the TRACE review period, the firm failed to report 32 transactions in TRACE-eligible Corporate Debt Securities within the time required by FINRA Rule 6730(a). The firm failed to report the correct time of trade execution for these same transactions, in violation of FINRA Rule 6730(c)(8). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 6730(a) and 6730(c)(8).

During the MSRB review period, the firm failed to report information regarding 182 purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by MSRB Rule G-14, RTRS Procedures and the RTRS User Manual. These transactions constituted 3.39% of the total number of municipal transactions (5,373) that the firm reported to the RTRS, during the review period. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

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

A censure and a fine of 30,000 (\$15,000 for FINRA Rule 6730 violations and \$15,000 for MSRB G-14 violations).

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments 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 sanctions 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 National Adjudicatory Council ("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.

5-10-16

Date

Respondent

Sterne, Agee & Leach Inc.

By: JB.

Name: DAMON B. JOYNER

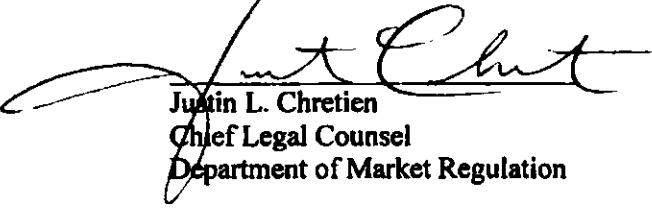
Title: PRESIDENT / CEO

Accepted by FINRA:

May 11, 2016
Date

Signed on behalf of the

Director of ODA, by delegated authority


Justin L. Chretien

Chief Legal Counsel

Department of Market Regulation