

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20150465810-01

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

RE: Fidelity Brokerage Services LLC, Respondent
Broker-Dealer
CRD No. 7784

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Fidelity Brokerage Services LLC (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 became a member of FINRA on January 15, 1979, and its registration remains in effect. The firm does not have any relevant disciplinary history.

SUMMARY

In 20150465810, the Department of Market Regulation's Municipal Securities Bonds Team and the Department of Member Regulation (collectively, the "staff") reviewed the firm's compliance with Municipal Securities Rulemaking Board ("MSRB") Rule G-15(f) during the period December 1, 2013 through December 31, 2015 (the "review period"), as well as related disclosure and supervisory requirements.

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.

MSRB Rule G-17 requires a broker, dealer or municipal securities dealer effecting a municipal securities transaction to disclose to its customer all material information about the transaction known by the broker, dealer or municipal securities dealer, as well as material information about the security that is reasonably accessible to the market. Such disclosure must be made at or prior to the sale of the municipal securities to the investor, (*i.e.*, when the investor and the dealer agree to make the trade), also referred to as the "time of trade." MSRB Rule G-17's time of trade disclosure requirements were codified in MSRB Rule G-47 on July 5, 2014.

Finally, MSRB Rule G-27 codifies the requirements imposed upon a broker, dealer or municipal securities dealer municipal securities to supervise its activities in a manner that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Board rules, including those concerning municipal securities transactions effected on behalf of customers.

As described below, the firm failed to comply with MSRB Rule G-15(f), related disclosure requirements under MSRB Rules G-17 and G-47, and the related supervisory requirements under MSRB Rule G-27.

FACTS AND VIOLATIVE CONDUCT

1. During the review period, the firm effected 15 customer transactions in a municipal security in an amount lower than the minimum denomination of the issue which was not subject to an exception under the rule. These transactions are detailed in Exhibit A attached hereto. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rules G-15(f).
 2. During the review period, the firm failed to disclose all material facts concerning 14 municipal securities transactions at or prior to the time of trade. Specifically, the firm failed to inform its customers that the municipal securities transactions were in amounts 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 conduct prior to July 5, 2014) and MSRB Rule G-47 (for conduct on or 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(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes a violation of MSRB Rule G-27.
- B. Respondent also consents to the imposition of the following sanctions:
- A censure;
 - A fine of \$45,000 (consisting of a fine of \$25,000 for violating MSRB Rule G-15(f), \$10,000 for violating MSRB Rule G-17/G-47, and \$10,000 for violating MSRB Rule G-27);
 - 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 National Adjudicatory Council ("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 paragraph I.A.3; and (3) the date the revised procedures were implemented; and

- Rescission must be offered to the customers who purchased securities 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.

Respondent 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. Respondent 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

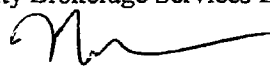
Respondent understands that:

- 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 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. 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 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. Respondent 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.

5/31/17
Date

Respondent
Fidelity Brokerage Services LLC

By: 

Name: Norman L. Anthony

Title: Chief Compliance Officer

Reviewed by:

Melissa Neggers Shea
Attorney Name:

Counsel for Respondent

Firm Name: Fidelity Brokerage Services LLC

Address: 200 Seaport Lane, 2W9A

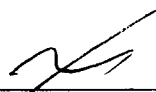
City/State/Zip: Boston MA 02210

Phone Number: 617-563-3747

Accepted by FINRA:

May 23, 2017
Date

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


James J. Nixon
Chief Litigation Counsel
FINRA Department of Market Regulation

Fidelity Brokerage Services LLC ("FIBS")
Review Number: 20150465810
Review Period: December 1, 2013 through December 31, 2015

Exhibit A

Item	Trade Date	Trade Time	CUSIP	Seller	Volume	Price	Buyer
1	6/19/2014	8:37:43	927676RP3	FIBS	\$10,000	106.113	CUST
2	8/14/2014	11:28:55	593211DE2	FIBS	\$5,000	101.376	CUST
3	12/2/2014	14:35:12	927676RP3	FIBS	\$10,000	108.501	CUST
4	02/10/2015	13:13:19	91802RAU3	FIBS	\$10,000	101.87	CUST
5	02/10/2015	15:18:18	91802RAU3	FIBS	\$20,000	101.734	CUST
6	02/17/2015	15:19:58	91802RAU3	FIBS	\$10,000	101.46	CUST
7	02/20/2015	09:50:16	91802RAU3	FIBS	\$5,000	101.585	CUST
8	02/20/2015	10:00:18	91802RAU3	FIBS	\$25,000	101.525	CUST
9	02/25/2015	11:06:43	19624DAM9	CUST	\$5,000	98.05	FIBS
10	03/04/2015	10:28:03	91802RAU3	FIBS	\$10,000	101.384	CUST
11	03/10/2015	13:34:29	91802RAU3	FIBS	\$15,000	100.65	CUST
12	03/16/2015	13:52:46	91802RAU3	FIBS	\$5,000	100.544	CUST
13	03/17/2015	10:03:43	927676RM0	FIBS	\$15,000	101.332	CUST
14	04/15/2015	12:46:20	927676RM0	FIBS	\$10,000	101.292	CUST
15	05/04/2015	16:14:46	91802RAU3	FIBS	\$10,000	101.10	CUST