

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016047573901**

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

RE: Essex Securities, LLC, Respondent
CRD No. 46605

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Essex Securities, LLC ("Essex" 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 Essex alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Essex 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

Essex has been a FINRA-registered broker-dealer since October 1999. The Firm is headquartered in Massachusetts and conducts a general securities business. Essex has approximately 34 registered personnel operating out of 25 branch offices.

RELEVANT DISCIPLINARY HISTORY

In October 2014, Essex entered into an AWC in which it agreed to a censure, a fine of \$20,000, restitution of \$6,009.70, and an undertaking to revise the Firm's procedures and certify its compliance with applicable rules for violating NASD Rule 2310, IM-2310-2 and FINRA Rule 2010 by engaging in a pattern of unsuitable mutual fund switching in the accounts of seven customers. The Firm also violated NASD Rule 3010 and FINRA Rule 2010 by failing to establish and maintain a supervisory system, including written procedures, reasonably designed to prevent unsuitable mutual fund switching.

OVERVIEW

From at least June 30, 2014 through December 31, 2016 (the “Relevant Period”), Essex failed to maintain a complete and accurate purchase and sale blotter. The Firm also failed to establish, maintain and enforce a supervisory system and written supervisory procedures reasonably designed to supervise the outside business activities and outside securities accounts of its registered representatives. Finally, Essex failed to inspect and register branch offices.

As a result, Essex violated Section 17(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Exchange Act Rule 17a-3; FINRA By-Laws Article IV, Section 8(a); NASD Rule 3010; and FINRA Rules 4511, 3110, 3270 and 2010.

FACTS AND VIOLATIVE CONDUCT

A. Essex Failed to Maintain a Complete and Accurate Trading Blotter

Exchange Act § 17(a)(1) states that each member firm “shall make and keep for prescribed periods such records, furnish copies thereof, and make and disseminate such reports as the [SEC], by rule, prescribes as necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of this title.” Exchange Act Rule 17a-3 requires members to “make and keep current . . . [b]lotters (or other records of original entry) containing an itemized daily record of all purchases and sales of securities . . .” FINRA Rule 4511 requires members to make and preserve accurate books and records as required under the Exchange Act and applicable Exchange Act rules.

During the Relevant Period, the Firm failed to maintain a complete and accurate purchase and sales blotter. In particular, the Firm did not include at least 11 mutual fund transactions on its blotter.

By virtue of the foregoing, Essex violated Section 17(a) of the Exchange Act, Exchange Act Rule 17a-3 and FINRA Rules 4511 and 2010.

B. Essex Failed to Maintain a Reasonably Designed Supervisory System Relating to Representatives’ Outside Business Activities

FINRA Rule 3270 prohibits registered persons from engaging in outside business activities unless they provide prior written notice to the member firm, in such form as specified by the member. Supplementary Material .01 to FINRA Rule 3270 defines the obligations of a member upon receiving such notice and establishes express requirements for firms to analyze the proposed outside business activity and document the analysis.

NASD Rule 3010(a) required every member firm to “establish and maintain a system to supervise the activities of each registered representative, registered

principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD [and now FINRA] Rules.” NASD Rule 3010(b) required every member firm to “establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of NASD [and now FINRA].” FINRA Rule 3110, which superseded NASD Rule 3010 effective December 1, 2014, contains the same requirements.

During the Relevant Period, the Firm’s written supervisory procedures failed to designate a principal to supervise registered representatives’ outside business activities or specify how outside business activities were to be disclosed, reviewed and approved, as well as what related records should be maintained. In addition, Essex could not evidence review or approval of outside business activities that were disclosed to the Firm.

By virtue of the foregoing, Essex violated NASD Rule 3010 (for the period before December 1, 2014), FINRA Rule 3110 (for the period from December 1, 2014) and FINRA Rules 3270 and 2010.

C. Essex Failed to Maintain a Reasonably Designed Supervisory System Relating to Representatives’ Outside Securities Accounts

During the Relevant Period, Essex failed to ensure that all associated persons disclosed their outside securities accounts, or that the Firm received duplicate statements for those accounts. In addition, the Firm could not evidence that it had reviewed, approved or supervised associated persons’ trading in those accounts. As a result, Essex failed to evaluate its registered representatives’ outside securities accounts to ensure compliance with securities laws and rules.

By virtue of the foregoing, the Firm violated NASD Rule 3010 (for the period before December 1, 2014), FINRA Rule 3110 (for the period from December 1, 2014) and FINRA Rule 2010.

D. Essex Failed to Inspect and Register Branch Offices

NASD Conduct Rule 3010(c)(1)(B) required member firms to “inspect at least every three years every branch office that does not supervise one or more non-branch locations.” NASD Conduct Rule 3010(c)(1)(C) required member firms to “inspect on a regular periodic schedule every non-branch location.” FINRA Rule 3110, which superseded NASD Conduct Rule 3010 effective December 1, 2014, contains the same requirements. Article IV, Section 8(a) of FINRA’s By-Laws requires member firms to register each branch office.

During the Relevant Period, Essex failed to inspect nine registered branch offices that should have been inspected. The Firm also failed to register 16 locations that should have been registered. Essex also failed to inspect these 16 non-registered branch offices.

By virtue of the foregoing, Essex violated FINRA By-Laws Article IV, Section 8(a), NASD Rule 3010 (for the period before December 1, 2014), FINRA Rule 3110 (for the period from December 1, 2014) and FINRA Rule 2010.

B. Essex consents to the imposition of the following sanctions:

- a censure;
- a fine in the amount of \$25,000;¹ and
- the following undertaking:
 - a. Essex shall undertake to review its supervisory systems and written supervisory procedures relating to the violations addressed in this AWC for compliance with FINRA rules and the federal securities laws and regulations. Within 120 calendar days of the issuance of this AWC, or such additional period agreed to by a FINRA staff member in writing, an officer of Essex will certify to FINRA in writing that it has completed its review and that it has established systems and procedures reasonably designed to achieve compliance with those laws, regulations, and rules.
 - b. The certification that the Firm has complied with the undertaking set forth above must be submitted to Department of Enforcement Staff in FINRA's Boston District Office.

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

Essex 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.

¹ Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. See Notice to Members 06-55.

II.

WAIVER OF PROCEDURAL RIGHTS

Essex 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, Essex 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.

Essex 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

Essex 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 Essex; and
- C. If accepted:

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

Essex Securities, LLC, Respondent

1/24/2018
Date (mm/dd/yyyy)

By: Cashman
Name: Cashman Co. Inc.
Title: CEO

Reviewed by:

[Signature]
Michael Unger, Esq.
Rubin & Rudman LLP
53 State Street
Boston, MA 02109
(617) 330-7000

Accepted by FINRA:

2/13/18
Date

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

[Signature]
Ian McLoughlin, Senior Regional Counsel
FINRA Department of Enforcement
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