

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016047706701**

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

RE: Citizens Securities, Inc., Respondent
CRD No. 39550

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

I.

ACCEPTANCE AND CONSENT

- A. CSI 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

CSI is a retail brokerage firm headquartered in Dedham, Massachusetts. The Firm employs approximately 1250 registered persons.

RELEVANT DISCIPLINARY HISTORY

CSI does not have any relevant disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities regulator.

OVERVIEW

From January 2010 through June 2016 (the "Relevant Period"), CSI failed to timely amend associated persons Uniform Applications for Securities Industry Registration or Transfer ("Forms U4") and Uniform Termination Notices for Securities Industry Registration ("Forms U5") to report customer complaints and other disclosable events, in violation of Article V, Sections 2 and 3 of FINRA's By-Laws and FINRA Rule 2010. Additionally, CSI failed to establish and

maintain a supervisory system reasonably designed to ensure the timely reporting of disclosable events, in violation of NASD Rule 3010 and FINRA Rules 2010 and 3110.

FACTS AND VIOLATIVE CONDUCT

A. CSI Failed to Timely Amend Forms U4 and U5 to Report Disclosable Events

Article V, Section 2(c) of FINRA's By-Laws requires that Forms U4 be kept current at all times by supplementary amendments, which must be filed not later than 30 days after learning of the facts or circumstances giving rise to the need for the amendment. Similarly, Article V, Section 3 of FINRA's By-Laws provides that, in the event a member learns of facts or circumstances causing any information set forth in a termination notice filed with FINRA to become inaccurate or incomplete, the member must notify FINRA, within 30 days thereafter, of those facts or circumstances by means of an amendment to the termination notice.

During the Relevant Period, CSI failed to timely disclose 45 customer complaints and settlements on its associated persons' Forms U4 and U5. In addition, 22 individuals associated with the Firm reported disclosable events such as outside business activities or bankruptcies on their annual compliance questionnaires ("ACQs"), yet CSI did not timely amend the individuals' Forms U4.

By reason of the foregoing, CSI violated Article V, Sections 2 and 3 of FINRA's By-Laws and FINRA Rule 2010.

B. CSI Failed to Establish a Supervisory System to Review Customer Complaints and Compliance Certifications for Reportable Events

NASD Rule 3010(a) and FINRA Rule 3110 require FINRA members to establish, maintain and enforce a supervisory system, including written procedures, that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD and/or FINRA Rules.

During the Relevant Period, CSI failed to implement an adequate supervisory system to ensure that the Firm reported customer complaints and settlements on associated persons' Forms U4 and U5. Specifically, the individuals at CSI who were responsible for reviewing customer complaints lacked sufficient training about the criteria that required the Firm to report customer complaints on associated persons' Forms U4 and U5 and the deadlines for doing so. In addition, CSI failed to ensure that associated persons ACQ responses were timely reviewed.

By reason of the foregoing, CSI violated NASD Rule 3010 and FINRA Rules 2010 and 3110.

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

- a censure; and
- a fine in the amount of \$300,000.

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

CSI 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

CSI 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, CSI 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.

CSI 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

CSI 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 CSI; and
- C. If accepted:
 - 1. this AWC will become part of CSI’s permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against CSI;
 - 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. CSI 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. CSI 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 CSI’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. CSI may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. CSI 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 CSI, certifies that a person duly authorized to act 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 CSI 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 CSI to submit it.

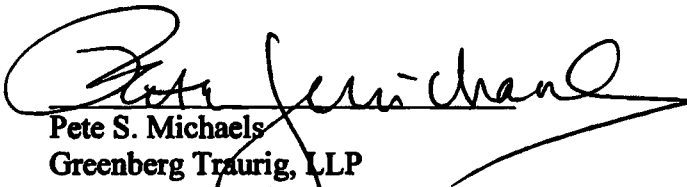
12/29/2016
Date (mm/dd/yyyy)



Mark D. Pinocci

For Respondent Citizens Securities, Inc.

Reviewed by:



Pete S. Michaels
Greenberg Traurig, LLP
One International Place
Boston MA 02210

Accepted by FINRA:

1/23/17
Date

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



Jeff Fauci, Principal Regional Counsel
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