

**NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E012002060302**

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REGISTRATION & DISCIPLINE

**TO: Department of Enforcement
NASD**

**RE: Linsco / Private Ledger Corporation, Respondent
Member
CRD No. 6413**

Pursuant to Rule 9216 of NASD Code of Procedure, Respondent Linsco / Private Ledger Corporation ("Linsco" 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 in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against Respondent alleging violations based on the same factual findings.

I understand that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
3. If accepted:
 - a. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against the Firm;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about Respondent's disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and

- d. 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 allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects Respondent's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Respondent also understand that its experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Linsco / Private Ledger Corporation has been a member of NASD since 1973. On or about March 27, 2003, Linsco entered into an AWC with NASD for \$5,000. NASD found that Linsco failed to report to 23 fixed income pricing system ("FIPS") transactions in FIPS securities within five minutes after execution, in violation of NASD Conduct Rule 2110 and Marketplace Rule 6240(A)(2). These late transactions constituted approximately 96% of all transactions in FIPS securities that the firm was obligated to report to FIPS during the review period.

On February 13, 2003, Linsco entered into an AWC with NASD for \$5,000 and an undertaking to revise its written supervisory procedures concerning communications with the public via electronic media. NASD found that Linsco's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations concerning communications with the public via electronic media, in violation of NASD Conduct Rules 2110 and 3010.

I.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Formal 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, Respondent specifically and voluntarily waive any right to claim bias or prejudice of the General Counsel, 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 waive any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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.

II.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD 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 NASD:
1. From at least September 1, 2000, through at least September 6, 2002, a Linsco / Private Ledger Corporation ("Linsco") registered representative converted customer funds totaling approximately \$2.5 million from at least 12 Linsco customer accounts through at least 49 separate transactions. These conversions were effected by means of forged wire transfer requests that transferred funds from the customers' accounts to bank accounts under the representative's control.
 2. During the relevant period, Linsco failed to establish, maintain and enforce a reasonable system or written procedures to monitor the wire transfer operations of the firm. The firm failed to have a system or procedures to authenticate customer signatures; to ensure that the customer authorized the transfer requests; to ensure that an appropriate principal of the firm had approved the wire transfer; and to ensure that the recipient bank account was entitled to receive the funds.
 3. In addition, the firm failed to establish, maintain and enforce either a reasonable system or written procedures to supervise the activities of registered persons in connection with their use of wire transfers.

4. The foregoing acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rules 2110, 3010(a) and 3010(b) by Respondent Linsco.

B. Respondent also consents to the imposition, at a maximum, of the following sanctions:

1. Respondent shall be censured and pay a total fine of \$75,000.

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

III.

OTHER MATTERS

- A. Respondent understands that the Firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that the Firm 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 NASD, nor does it reflect the views of NASD or its staff.
- B. Respondent agrees to pay any monetary sanctions imposed on the Firm upon notice that this AWC has been accepted and that such payments are due and payable and have attached an Election of Payment form showing the method by which the Firm proposes to pay any fine imposed.
- C. Respondent specifically and voluntarily waives any right to claim that the Firm is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Respondent certifies that the Firm has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce the Firm to submit it.

9-23-05
Date

Linsco / Private Ledger Corporation

By:  [print name]
STEPHANIE L. BROWN
MANAGING DIRECTOR [print title]
GENERAL COUNSEL

Reviewed by:



_____ [print name]

Counsel for Respondent
DAVID J. FRENIERE
EXECUTIVE VICE PRESIDENT
ASSISTANT GENERAL COUNSEL

Accepted by NASD:

November 10, 2005
Date

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



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**THIS CORRECTIVE ACTION STATEMENT IS SUBMITTED BY THE
RESPONDENT.**

**It does not constitute factual or legal findings by NASD, nor does it reflect
the views of NASD or its staff.**

CORRECTIVE ACTION STATEMENT

**TO: Department of Enforcement
NASD**

**RE: Linsco/Private Ledger Corp., Respondent
CRD No. 6413
Examination No. E012002060302**

Pursuant to Rule 9216 of NASD Code of Procedure, Respondent Linsco/Private Ledger Corp. ("Linsco") hereby submits this Correction Action Statement in connection with the above matter.

The instant matter arises out of a former broker's criminal acts (fraudulent wire transfers) from 2000-2002, or approximately four to six years ago. The activity was deliberate and carefully concealed from Linsco. In order to avoid similar misconduct from occurring in the future, Linsco enhanced existing procedures and implemented new procedures relating to the movement of client funds and securities. These procedures are summarized below:

1. Home Office Signature Validation

In addition to receiving validation of signature documents from Linsco's advisors, Linsco's Money Desk also reviews client signatures on all Letters of Authorization and compares the signatures to the clients' new account forms.

2. Verification of Bank Account

For all wire transfers, Linsco's Money Desk contacts the receiving bank in order to verify the registration on the bank account.

3. Third-Party Processing Limits

Linsco now prohibits the processing of third-party wires, checks or internal journal requests exceeding \$11,000.00.

4. Escrow Payments

Linsco requires documentation that provides the name of the client who is on the title and the escrow number prior to processing payments to escrow companies.

5. Transaction Confirmation Mailings

Linsco mails transaction confirmations directly to the registered account holder confirming transactions for all wired funds, third-party checks, internal third-party money movements, transfer and ship instructions and broker-to-broker deliveries.

6. Exception Reports

Linsco's Operations Department has created and currently reviews approximately fifteen different exception reports. The reports monitor out-going wires, third-party check payments and account registration anomalies, among other transactions.

7. Committees Established

Linsco has established several working and management committees to monitor for suspicious movement of customer funds and securities. The committees include the Suspicious Activity and Risk Working Committee and the Suspicious Activity and Senior Risk Management Committee. These committees also review current controls and will continue to implement new procedures designed to detect and prevent fraudulent transactions.

9-23-2005
Date


Linsco/Private Ledger Corp.

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