

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E052004030102**

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REGISTRATION & DISCLOSURE

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

RE: Royal Alliance Associates, Inc., Respondent
[CRD No. 23131]

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, Royal Alliance Associates, Inc., 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 us alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. We hereby accept and consent, 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

Royal Alliance Associates, Inc. has been a member of FINRA (f/k/a National Association of Securities Dealers or NASD) since July 10, 1989. During all periods mentioned herein, Royal Alliance Associates, Inc. was a registered broker-dealer with the United States Securities and Exchange Commission and a member of FINRA.

RELEVANT PRIOR DISCIPLINARY HISTORY

Royal Alliance Associates, Inc. has been the subject of the following formal disciplinary actions:

On December 11, 2006, FINRA accepted a Letter of Acceptance Waiver and Consent finding that Royal Alliance had failed to establish maintain and enforce a system and procedures to ensure that its customers received Net Asset Value pricing on mutual

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fund purchases. The firm agreed to pay a fine of \$250,000 and to provide remediation to the customers.

On November 30, 2006, FINRA accepted a Letter of Acceptance Waiver and Consent finding that Royal Alliance had failed to have a reasonable supervisory system to ensure reporting of TRACE-eligible securities. The firm agreed to a fine of \$20,000 for the TRACE and supervisory violations and an undertaking to revise its written supervisory procedures.

On June 8, 2005, FINRA accepted a Letter of Acceptance Waiver and Consent finding that Royal Alliance had maintained revenue sharing programs with mutual fund companies. For two years, the firm provided preferential marketing in return for fees paid by the mutual fund companies. The firm also failed to maintain email. For these violations, the firm agreed to censure and a fine of \$6,600,000.

On July 8, 2004, Royal Alliance entered into a consent order with the SEC and was fined \$150,000 in SEC Admin. File NO. 3-11538/REL 33-8438, for failing to supervise branch managers and registered representatives with regard to B share mutual fund sales practices. The order included an undertaking to review its supervisory procedures related to the sale of B shares.

OVERVIEW

In May 2007, FINRA issued findings against Ogden L. Coody, a registered representative formerly associated with Royal Alliance Associates, Inc. Coody made unsuitable mutual fund recommendations and misrepresentations in connection with the recommendations. As a result of this misconduct, Coody was barred from the securities industry. Specifically, between January 1, 2001 and August 1, 2004, Ogden L. Coody recommended a series of 167 unsuitable mutual fund switches and exchanges in three accounts jointly held by public customers SM, MG, and JD, without having a reasonable basis for recommending the switches and exchanges. Coody's actions resulted in payment by the customers of over \$75,600 in unnecessary mutual fund fees and in Coody's receipt of commissions totaling \$51,963.

Royal Alliance failed to have supervisory systems in place that were sufficient to detect the unsuitable switches and exchanges made by Coody. Under the supervisory system in place between January 1, 2001 and August 1, 2004, the principals approving Coody's trading activity only had ready access to transaction activity for daily or monthly periods. Because of the limits on the information available for review, it was difficult for principals to detect patterns of short-term holding if a purchase occurred in one month

and the sale occurred a month later. The system was also inadequate to detect Coody's failure to take advantage of cost-free exchanges, rights of accumulation, and customer savings available through the use of letters of intent or rights of accumulation. In some instances, Royal Alliance also failed to ensure that customers received switch letters disclosing costs or fees associated with the switch of one mutual fund A share for another.

FACTS AND VIOLATIVE CONDUCT

During the period from on or about January 1, 2001 to on or about August 1, 2004, Royal Alliance Associates, Inc. failed to implement, maintain, and enforce a supervisory system reasonably designed to prevent violation of the rules and regulations of the Securities Exchange Commission and FINRA. Specifically, the supervisory procedures of Royal Alliance were unreasonable because the firm had an inadequate system for detecting rapid turnover of mutual funds in customer accounts. Due to the lack of reporting tools, the firm was unable to identify short term trading of mutual fund shares, failures to exercise rights of accumulation, failures to send letters of intent, and failures to take advantage of cost-free exchanges. Because of the firm's inadequate procedures, Ogden Coody, a registered representative of the firm, effected over 167 unsuitable mutual fund switches and exchanges in three accounts of individual customers over a three and a half year period. The firm never detected the conduct, and thus never investigated whether the switches and exchanges were suitable.

Furthermore, in many instances, the firm failed to enforce its procedures regarding the use of switch letters. The firm's written supervisory procedures required registered representatives to obtain a signed switch letter whenever a customer sold a mutual fund and reinvested the proceeds in a mutual fund in a different fund family. The letter was to disclose, among other things, whether the transaction would result in a new commission, whether it would result in a new surrender period, whether there would be a surrender charge, and whether the investment objectives differed between the two investments. The letter was to be signed by the customer and reviewed and approved by a principal. Although Coody effected a number of mutual fund A share switches between January 1, 2001 and August 1, 2004, he failed to obtain signed switch letters in many instances, and the firm did not detect his failure to obtain these letters.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Rules 3010(a) and (b) and 2110 by Royal Alliance Associates, Inc.

- B. We also consent to the imposition of the following sanctions:

A censure and a monetary fine in the amount of \$200,000 to be assessed against Royal Alliance Associates, Inc.

Royal Alliance further agrees (1) to review all mutual fund A share transactions effected on behalf of customers of Ogden L. Coody for the time period between January 1, 2001 and August 1, 2004 to determine whether or not customers paid unnecessary commissions in connection with those transactions; (2) to provide FINRA with a report of its review within 60 days of acceptance of this Letter of Acceptance, Waiver, and Consent; (3) to provide refunds of the commissions to these customers where appropriate within 120 days of acceptance of the Letter of Acceptance, Waiver, and Consent; and (4) to provide FINRA with evidence of the payment of the refunds within 150 days of acceptance of this Letter of Acceptance, Waiver, and Consent. If for any reason Royal Alliance cannot locate the customers who paid unnecessary fees in connection with the transactions after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Royal Alliance shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property, or abandoned property fund for the state in which the customer is last known to have resided.

We agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. We have submitted an Election of Payment form showing the method by which we propose to pay the fine imposed.

We specifically and voluntarily waive any right to claim that we are 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

We specifically and voluntarily waive the following rights granted under FINRA'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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, we specifically and voluntarily waive any right to claim bias or prejudgment 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.

We further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of NASD Rule 9143 or the separation of functions prohibitions of NASD 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

We understand 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 NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against us; and
- C. If accepted:
 - 1. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against us;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about our disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and

4. We 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. We 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 our right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. We may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we 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.

We certify that we have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that we have 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.

11/20/01
Date

Royal Alliance Associates, Inc.

By: Arthur Tambaro

Arthur Tambaro, President
[Name and Title]

Reviewed by: [Signature]
Counsel for Respondent

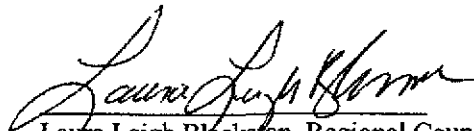
Accepted by FINRA:

Letter of Acceptance, Waiver,
and Consent
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Accepted by FINRA:

December 6, 2007
Date

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


Laura Leigh Blackston, Regional Counsel
FINRA, Department of Enforcement
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New Orleans, Louisiana 70163-0802
Phone: 504/522-6527
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Attachment: Election of Payment form