

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E112004004301

TO: Department of Enforcement
NASD

RE: Commonwealth Financial Network, Respondent
BD No. 8032

Pursuant to Rule 9216 of NASD Code of Procedure, Commonwealth Financial Network ("Respondent") 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.

Respondent understands 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 Respondent;
 - 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 understands 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:

Respondent has been an NASD member since 1979. The firm maintains its principal place of business in Waltham, MA and has branch offices throughout the country.

I.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Formal Complaint issued specifying the allegations against Respondent;
- 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 waives 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.

Respondent further specifically and voluntarily waives 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:

SUMMARY

1. From January 2002 through September 2004 (the "relevant period"), Respondent failed to file in a timely manner certain amendments to Form U4 (Question 14 – Disclosure Questions) and Form U5 (Question 7 – Disclosure Questions); and from January 2002 through September 2004, Respondent failed to file in a timely manner certain Forms U5 for terminated registered representatives. Those reports were required by NASD By-Laws, Article V, Sections 2(c), 3(a) and 3(b) (the "Article V reporting obligations"). The late disclosure items pertained to certain individuals' reportable customer complaints, terminations, regulatory actions, and criminal disclosures. Respondent's failure to comply with the Article V Reporting Obligations may have hampered the investing public's ability to assess the background of certain brokers through NASD's public disclosure program, rendered certain information unavailable to member firms making hiring determinations, may have reduced the ability of state securities regulators to review applications by brokers to transfer firms, and may have hindered NASD from promptly investigating certain disclosure items.
2. A review of customer complaints and related NASD Conduct Rule 3070 filing's made by Respondent during the relevant period revealed 26 inaccurate and/or late filings.
3. During the relevant period, Respondent's supervisory system and procedures were not reasonably designed to achieve compliance with its Article V and NASD Conduct Rule 3070 reporting obligations.

RESPONDENT FAILED TO FILE FORMS U5, AND AMENDMENTS TO FORMS U4 AND U5, IN A TIMELY MANNER

4. Article V, Section 2(a), of NASD's By-Laws provides that application for registration with NASD by any person shall be made by a process established by NASD and on a prescribed form signed by the applicant. Section 2(c) provides that every application for registration (Form U4) filed with NASD shall be kept current at all times by supplementary amendments which must be filed within 30 days after learning of the facts or circumstances giving rise to the amendment.

The filing must be made within ten days, however, if the amendment involves disclosure of a statutory disqualification as defined in Section 3(a)(39) and Section 15(b)(4) of the Securities Exchange Act of 1934.

5. Article V, Section 3(a) of NASD's By-Laws requires that, not later than 30 days following the termination of a registered person, the member shall give notice of the termination of such association to NASD. Such notice is provided on a Form U5. Article V, Section 3(b) of NASD's By-Laws provides that, in the event a member learns of facts or circumstances causing any information set forth in a Form U5 filed with NASD to become inaccurate or incomplete, the member must notify NASD, within 30 days thereafter, of those facts or circumstances by means of an amendment to that termination notice.
6. During the relevant period, Respondent filed 48 late amendments to Forms U4 and U5 and in 13 instances failed to amend those forms.

7. During the relevant period, Respondent filed late Forms U5 for 20 terminated registered representatives.

INACCURATE NASD CONDUCT RULE 3070 FILINGS

8. NASD Conduct Rule 3070 paragraph (c) in part requires that, "Each member shall report to the Association statistical and summary information regarding customer complaints in such detail as the Association shall specify." During the relevant period, Respondent made 26 inaccurate and/or late Rule 3070(c) filings. Certain of the filings were inaccurate because Respondent improperly characterized disputed amounts or used incorrect problem codes.

SUPERVISORY DEFICIENCIES

9. During the relevant period, Respondent's supervisory system and procedures were not reasonably designed to achieve compliance with its Article V and NASD Conduct Rule 3070 reporting obligations.

VIOLATIONS

10. Based upon the conduct summarized in paragraphs 1 through 9 above, Respondent acted in contravention of Article V, Sections 2(c), 3(a) and 3(b), of NASD's By-Laws and violated NASD Conduct Rules 2110, 3010 and 3070.

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

- A censure; and
- a fine in the amount of \$100,000.

In addition, Respondent within 90 days of the issuance of this AWC (unless otherwise extended by NASD staff) shall certify in writing to NASD that Respondent has reviewed its systems and procedures for complying with its Article V and NASD Conduct Rule 3070 reporting obligations and has established systems and procedures reasonably designed to achieve compliance with the reporting requirements set forth therein.

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

III.

OTHER MATTERS

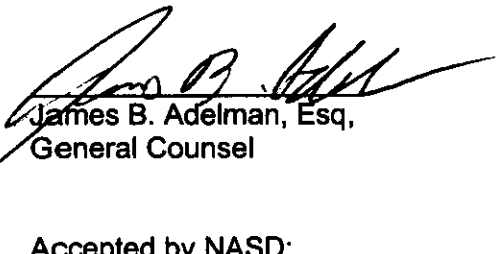
- A. Respondent understands that it may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent further understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.

- B. Respondent agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and payable and has attached an Election of Payment form showing the method by which it proposes to pay any fine imposed.
- C. Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Respondent certifies that it has read and understands all of the provisions of this AWC and has 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 it to submit the AWC.

November 21, 2005
Date

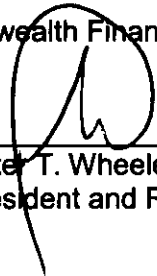
Reviewed by:


James B. Adelman, Esq,
General Counsel

Accepted by NASD:

12/8/05
Date

Commonwealth Financial Network

By: 
Peter T. Wheeler
President and Registered Principal

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


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STATEMENT OF CORRECTIVE ACTION COMMONWEALTH FINANCIAL NETWORK

Commonwealth Financial Network ("Commonwealth") understands and appreciates the importance of filing accurate and timely amendments to Forms U4 and U5 as well as Rule 3070 filings and Form U5s for terminated registered representatives (hereinafter together the "Filings"). In an effort to ensure that future Filings are prepared in an accurate and timely manner Commonwealth has undertaken the following corrective action.

As a result of the late Filing information brought to the attention of Commonwealth by the NASD, Commonwealth's Internal Auditor conducted an audit of Commonwealth's policies and procedures regarding the Filings. The audit included, among other things, a review of Commonwealth's current Filing policies and procedures, interviews of the Compliance and Licensing staff involved in the Filing process and an analysis of Commonwealth's current complaint tracking system. As a result of the audit, revised policies and procedures are in the process of being drafted. The revised procedures will include, among other things, the creation and maintenance of a new tracking tool to assist the staff in making timely Filings. Commonwealth's Internal Auditor will audit the Filing process within 90 days of the effective date instituting the revised procedures. The Internal auditor will present his findings to Commonwealth's Chief Compliance Officer who will then determine if any additional revisions to the policies and procedures are necessary. The Filing process will be audited six months thereafter and then on an annual basis.

In an effort to ensure that the Filings accurately reflect the correct characterization of disputed amounts set forth in complaints and provide the correct problem codes in the case of Rule 3070 filings, Commonwealth staff involved in the Filing process have been provided educational materials concerning the reporting obligations for Forms U4/U5 and Rule 3070. In addition, upon the completion of the revisions to the Filing policies and procedures, all Commonwealth staff involved in the Filing process will undergo formal training in this area. Finally, Commonwealth will be sending a communication to its supervisory personnel and registered representatives in the field reminding them of their regulatory obligation to transmit timely, to the Compliance and Licensing Departments respectively, any written complaints and relevant employment information regarding the departures of branch office personnel. Commonwealth believes that these steps will result in future Filings being made in an accurate and timely manner.

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.