

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E8A050100**

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

RE: H & R Block Financial Advisors, Inc.
(CRD No. 5979)

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, H & R Block Financial Advisors, Inc. (HRBFA or Respondent) 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 the Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The Respondent 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

H&R Block Financial Advisors, Inc. became a member of FINRA (f/k/a National Association of Securities Dealers or NASD) on October 27, 1971. The firm engages in the sale of equities, corporate bonds, municipal bonds, mutual funds, variable products, unit investment trusts, options and 529 plans, among other products.

RELEVANT PRIOR DISCIPLINARY HISTORY

HRBFA has had one disciplinary proceeding that is relevant to this proceeding. On January 12, 2001, FINRA authorized the issuance of an AWC in the amount of \$40,000 for HRBFA's failure to file amendments to Forms U4 and U5 in a timely manner in violation of Article V of the FINRA By-laws and NASD Conduct Rule 2110.

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OVERVIEW

HRBFA failed to file Form U5s in a timely manner and failed to implement an adequate supervisory system designed to achieve compliance with the requirements of Article V, Section 3 of the FINRA By-laws.

FACTS AND VIOLATIVE CONDUCT

1. Article V, Section 3 of FINRA's By-Laws provides, in part, that, following the termination of the association with a member of a person who is registered with it, such member shall, not later than 30 days after such termination, give notice of the termination of such association to FINRA, and concurrently provide to the person whose association has been terminated a copy of said notice as filed with FINRA. A member that does not submit such notification and provide a copy to the person whose association has been terminated, within the time period prescribed, shall be assessed a late filing fee as specified by FINRA. The Form U5 is required to be filed with FINRA within 30 calendar days of the registration termination of the registered representative.

2. From April 2003 through January 2005, HRBFA filed Forms U5 for 1,146 individuals whose registrations were terminated. Of the 1,146 registrations that were terminated during that time period, the Forms U5 for 167 registered representatives (15%) were submitted late, in violation of Article V, Section 3 of FINRA By-Laws and NASD Conduct Rule 2110.

3. In connection with the delays noted in paragraph 2, HRBFA failed to establish and maintain a system to supervise the activities of each registered representative and associated person that was reasonably designed to achieve compliance with the requirements of Article V, Section 3 of FINRA's By-laws so as to ensure the timely filing of Forms U5 for individuals whose registrations were terminated. Such failure is in violation of NASD Conduct Rule 3010 and 2110.

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

1. A censure; and
2. A fine of \$150,000.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Formal Complaint issued specifying the allegations against us;
- 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, the Respondent specifically and voluntarily waives 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.

The Respondent further specifically and voluntarily waives 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

The Respondent 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 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 the Respondent; and,
- C. If accepted:
 - 1. this AWC will become part of the Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against them;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about its 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. the 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 FINRA is not a party.
- D. The Respondent understands that he may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Respondent also understands that they 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 Respondent certifies that a duly authorized representative 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 it.

H & R Block Financial Advisors, Inc.

11/9/2007
Date

Kenneth A. Madson
By Kenneth A. Madson
Its VP-Regulatory Affairs & Risk Mgmt.

Reviewed by: Peter B. Shaeffer
Counsel for Respondent

Accepted by FINRA:

12/14/07
Date

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

Richard A. March
Regional Counsel
FINRA Department of Enforcement
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