
FINRA Fines Two Firms $62,500 for Muni Rule Violations.

Two broker dealers were fined a total of $62,500 for municipal bond fair pricing and trade reporting violations, while two individuals were fined $35,000 and suspended for violating other muni rules, the Financial Industry Regulatory Authority said Monday.

The sanctions were detailed in FINRA's just-released monthly disciplinary actions.

RBC Capital Markets, LLC was fined $42,500 and ordered to pay customers $17,870.60 in restitution for violating the Municipal Securities Rulemaking Board's Rules G-30 on prices and commissions, G-17 on fair-dealing, and G-34 on CUSIP numbers, new issue and market information requirements.

Morgan Stanley Smith Barney LLC was fined $20,000 for violating the MSRB's Rule G-14 on trade reporting.

Both New York City-based firms neither admitted nor denied the findings but accepted the sanctions. RBC Capital could not be reached for comment. A spokesperson for Morgan Stanley declined to comment.

FINRA said RBC Capital Markets, in 15 transactions between its own account and customers during the second quarter of 2010 and the first quarter of 2011, either purchased or sold munis at aggregate prices that were not fair and reasonable "taking into consideration all relevant factors, including the best judgment of the broker … as to the fair market value of the securities at the time of the transaction," as well as expenses and the fact that the dealer is entitled to a profit.

In exhibits included in enforcement documents, FINRA found RBC owed a customer $3,570 for selling 100 of 2005 Metropolitan Transportation Authority revenue bonds at 104.958 in April 2010. It owed another customer $2,983.50 for buying 85 of Maryland Health and Higher Educational Facilities Authority's 1998 revenue bonds at 89.100. These were the highest amounts of restitution owed to customers.

FINRA also found that the firm, during the second quarter of 2011, failed to submit to the MSRB accurate interest rate reset dates for variable rate demand obligations in 462 instances. The firm also failed to provide information on the results of auctions for auction rate securities and information on interest rate resets within the required time frame in 94 instances.

FINRA fined Morgan Stanley $20,000 for failing to report correct trade information to the MSRB. The self-regulator said that, during the fourth quarter of 2010 the firm reported 44 trades, when they were interdealer deliveries of securities or "step outs" and not reportable interdealer trades. During the third quarter of 2011, the firm report 27 trades that were "step outs" and should not have been reported as interdealer trades, FINRA said.

FINRA fined Richard Lee Reno, Sr., who resides in Beaver Falls, Pa. and was the chief compliance officer of Fortune Financial, $30,000 and suspended him for a year for conducting business in

Section 529 college savings plans without proper qualification and without a properly qualified principal, in violation of MSRB Rules G-2 and G-3 on standards and classifications. In addition, the firm failed to have a supervisory system for such municipal securities, in violation of Rule G-27, FINRA said.

These are college savings plans set up under Section 527 of the Internal Revenue Code to allow parents or others to invest on a tax-advantaged basis to save for the costs of college for a beneficiary. The sanctions are a "default decision" against Reno, FINRA said, because he never answered the self-regulator's complaint. Reno is not currently associated with any firm.

FINRA fined Joseph H. Johnson from Sayville, N.Y. $5,000 and suspended him for 30 days for engaging in unsuitable short-term trading and switching municipal bond closed-end funds in customers' joint brokerage account. According to FINRA, Johnson recommended a joint account purchase shares of closed-end muni bond funds with long-term, conservative objectives and then sold the shares in a relatively short period of time. The joint account suffered losses of about $25,000 and was charged about $14,000 in commissions.

by: LYNN HUME

–

–

SEC to Seek Admissions in Some Settlements: White

(Reuters) – Securities regulators are going to try to extract admissions of wrongdoing from defendants in some of their settlements, a move that could ultimately force more cases to go to trial, Securities and Exchange Commission Chair Mary Jo White said Tuesday.

The announcement from White marks a departure from the typical practice at the SEC and many other civil federal regulatory agencies of allowing defendants to settle cases without admitting or denying the charges.

That practice has come under scrutiny following the financial crisis, leading some federal judges to challenge or strike down proposed settlements with defendants.

"I have reviewed the policy," White said at the annual "CFO Network" event hosted in Washington by the Wall Street Journal.

"We are going to in certain cases be seeking admissions going forward. I think … public accountability in particular kinds of cases can be quite important and if we don't get them, then we litigate them."

White's planned changes to settlement policy come as the SEC is awaiting a critical decision from a New York appeals court after U.S. District Judge Jed Rakoff declined to approve a proposed $285 million settlement with Citigroup Inc over whether the bank misled investors during the financial crisis.

White told reporters on the sidelines of the event that people should not interpret the change as a criticism of the settlement policy and in fact a “majority” of cases will still likely be settled with defendants neither admitting nor denying any wrongdoing.

“This is not a criticism of the past practice and having ‘no admit, no deny’ settlement protocols in your arsenal as a civil enforcement agency … (is) critically important to maintain,” she said.

She added that cases will need to meet certain criteria in order for the SEC to seek admissions. Those include cases where there was “widespread harm to investors” or “egregious intentional misconduct,” she said.

Rakoff, who has been arguably the most vocal about the SEC’s settlement policy, declined to comment on the changes White announced.