

BrokerCheck Report

DOMESTIC SECURITIES, INC.

CRD# 34721

Report #39327-16438, data current as of Tuesday, July 19, 2011.

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Dear Investor:

FINRA has generated the following BrokerCheck report for **DOMESTIC SECURITIES, INC.**. The information contained within this report has been provided by a FINRA member firm(s) and securities regulators as part of the securities industry's registration and licensing process and represents the most current information reported to the Central Registration Depository (CRD®) system.

FINRA regulates the securities markets for the ultimate benefit and protection of the investor. FINRA believes the general public should have access to information that will help them determine whether to conduct, or continue to conduct, business with a FINRA member firm or any of the member's associated persons. To that end, FINRA has adopted a public disclosure policy to make certain types of information available to you. Examples of information FINRA provides on currently registered individuals and individuals who were registered during the past ten years include: actions by regulators, investment-related civil suits, customer disputes that contain allegations of sales practice violations against brokers, all felony charges and convictions, misdemeanor charges and convictions relating to securities violations, and financial events such as bankruptcies, compromises with creditors, judgments, and liens. FINRA also provides on a permanent basis certain information on former registered individuals, if any of the following applies, as reported to CRD on a uniform registration form: (1) the person was the subject of a final regulatory event; (2) the person was convicted of or pled guilty or nolo contendere to a crime; (3) the person was the subject of a civil injunction or civil court finding involving a violation of any investment-related statute(s) or regulation(s); or (4) the person was named as a respondent or defendant in an arbitration or civil litigation that resulted in an award, decision or judgment for a customer.

When evaluating this report, please keep in mind that it may include items that involve pending actions or allegations that may be contested and have not been resolved or proven. Such items may, in the end, be withdrawn or dismissed, or resolved in favor of the firm or broker, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

The information in this report is not the only resource you should consult. FINRA recommends that you learn as much as possible about the individual broker or brokerage firm from other sources, such as professional references, local consumer and investment groups, or friends and family members who already have established investment business relationships.

FINRA BrokerCheck is governed by federal law, Securities and Exchange Commission (SEC) regulations and FINRA rules approved by the SEC. State disclosure programs are governed by state law, and may provide additional information on brokers and firms licensed by the state. Therefore, you should also consider requesting information from your state securities regulator. Refer to www.nasaa.org for a complete list of state securities regulators.

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brokercheck.finra.org



For additional information about the contents of this report, please refer to the User Guidance or www.finra.org/brokercheck. It provides a glossary of terms and a list of frequently asked questions, as well as additional resources. [For more information about FINRA, visit \[www.finra.org\]\(http://www.finra.org\).](#)

DOMESTIC SECURITIES, INC.

CRD# 34721

SEC# 8-36129

Main Office Location

160 SUMMIT AVENUE
MONTVALE, NJ 07645
Regulated by FINRA Woodbridge Office

Mailing Address

160 SUMMIT AVENUE
MONTVALE, NJ 07645

Business Telephone Number

201-782-0888

Report Summary for this Firm

The report summary provides an overview of the firm's background. The firm and securities regulators have provided the information contained in this report as part of the securities industry registration and licensing process. More detailed information for this firm can be found in the firm's report. Select "Get Detailed Report" to view more detailed information about this firm. The information contained in this report was last updated by the firm via Uniform Application for Broker-Dealer Registration (Form BD), the Uniform Request for Broker-Dealer Withdrawal (Form BDW), or a securities regulator via a Uniform Disciplinary Action Reporting Form (Form U6) on 05/06/2011.

Firm Profile

This firm is classified as a corporation.
This firm was formed in New York on 02/10/1986.
Its fiscal year ends in June.

Firm History

Information relating to the firm's history such as Other Business Names, Other Business, and Successions (e.g., mergers or acquisitions) can be found in the firm's full report.

Firm Operations**This firm is registered with:**

- the SEC
- 7 Self-Regulatory Organizations
- 6 U.S. states and territories

Is this brokerage firm currently suspended with any regulator? **No**

This firm conducts 9 types of businesses.

This firm is affiliated with financial or investment institutions.

This firm does not have referral or financial arrangements with other brokers or dealers.

Disclosure of Arbitration Awards, Disciplinary, Financial, and Regulatory Events

This section includes details regarding disclosure events reported by or about this firm to CRD as part of the securities industry registration and licensing process. Examples of such disclosure events include certain disciplinary actions initiated by regulators, certain criminal charges and/or convictions, financial disclosures such as bankruptcies, and summary information regarding arbitration awards involving securities and commodities disputes between public customers and the firm.

Are there events disclosed about this firm? **Yes**

The following types of disclosures were reported:

Regulatory Event



Firm Profile

This firm is classified as a corporation.

This firm was formed in New York on 02/10/1986.

Its fiscal year ends in June.

Firm Names and Locations

This section includes details that were reported to CRD, regarding the firm's full legal name, business and mailing addresses, the firm's "Doing Business As" name (DBA) (if different from the full legal name), and any other name by which the firm conducts business and where such name is used.

DOMESTIC SECURITIES, INC.

Doing business as DOMESTIC SECURITIES, INC.

CRD# 34721

SEC# 8-36129

Main Office Location

160 SUMMIT AVENUE
MONTVALE, NJ 07645

Regulated by FINRA Woodbridge Office

Mailing Address

160 SUMMIT AVENUE
MONTVALE, NJ 07645

Business Telephone Number

201-782-0888



Firm Profile

This section provides information relating to all Direct Owners and Executive Officers as reported by the firm in CRD.

Direct Owners and Executive Officers

Legal Name & CRD# (if any):	SHEFTS ASSOCIATES INC.
Is this a domestic or foreign entity or an individual?	Domestic Entity
Position	SHAREHOLDER
Position Start Date	08/2008
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	LEFKOWITZ, HARRY MARTIN 1454925
Is this a domestic or foreign entity or an individual?	Individual
Position	FIN OP
Position Start Date	03/2002
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	MESSINA, JOSEPH GASPER 2468181
Is this a domestic or foreign entity or an individual?	Individual
Position	CHIEF COMPLIANCE OFFICER
Position Start Date	11/2006

Firm Profile**Direct Owners and Executive Officers (continued)**

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): PETRONE, RICHARD PATRICK JR
726715

Is this a domestic or foreign entity or an individual? Individual

Position EVP/DIR OF SALES & TRADING

Position Start Date 11/2005

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): SHEFTS, MARK DAVID
709147

Is this a domestic or foreign entity or an individual? Individual

Position PRESIDENT, DIRECTOR, TREASURER

Position Start Date 10/2001

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): SHEFTS, WANDA DEBBIE

Firm Profile



Direct Owners and Executive Officers (continued)

735710

Is this a domestic or foreign entity or an individual? Individual

Position SECRETARY, DIRECTOR

Position Start Date 08/2008

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No



Firm Profile

This section provides information relating to Indirect Owners, if any, as reported by the firm in CRD.

Indirect Owners

Legal Name & CRD# (if any):	SHEFTS, MARK DAVID 709147
Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	THE MARK SHEFTS REVOCABLE TRUST DATED OCT. 07, 2009
Relationship to Direct Owner	TRUSTEE
Relationship Established	10/2009
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	SHEFTS, WANDA DEBBIE 735710
Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	THE WANDA SHEFTS REVOCABLE TRUST DATED OCT. 07, 2009
Relationship to Direct Owner	TRUSTEE
Relationship Established	10/2009
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	THE MARK SHEFTS REVOCABLE TRUST DATED OCT. 07, 2009
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Firm Profile



Indirect Owners (continued)

Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	SHEFTS ASSOCIATES INC.
Relationship to Direct Owner	SHAREHOLDER
Relationship Established	10/2009
Percentage of Ownership	50% but less than 75%
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No
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Legal Name & CRD# (if any):	THE WANDA SHEFTS REVOCABLE TRUST DATED OCT. 07, 2009
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	SHEFTS ASSOCIATES INC.
Relationship to Direct Owner	SHAREHOLDER
Relationship Established	10/2009
Percentage of Ownership	50% but less than 75%
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No
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Firm History

This section provides information relating to successions (e.g., mergers or acquisitions), if any, as reported by the firm in CRD.



No information reported.



Firm Operations

Registrations

This section provides information about the regulators (e.g., U.S. Securities and Exchange Commission (SEC), self-regulatory organizations, states and U.S. territories) in which the firm is currently registered and licensed, and the date the registration became effective, as well as certain information about the firm's SEC registration.

This firm is currently registered with the SEC, 7 SROs and 6 U.S. states and territories.

Federal Regulator	Status	Date Effective
SEC	Approved	06/20/1986

SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

A broker-dealer and government securities broker or dealer: Yes

A government securities broker or dealer only: No

This firm has ceased activity as a government securities broker or dealer: No

Self-Regulatory Organization	Status	Date Effective
FINRA	Approved	05/06/1994
BATS Y-Exchange, Inc.	Approved	11/15/2010
BATS Z-Exchange, Inc.	Approved	08/18/2008
EDGA Exchange, Inc.	Approved	05/25/2010
EDGX Exchange, Inc.	Approved	05/27/2010
NASDAQ Stock Market	Approved	07/12/2006
NYSE Arca, Inc.	Approved	06/02/2003

Firm Operations



Registrations (continued)

U.S. States & Territories	Status	Date Effective
Connecticut	Approved	06/23/2004
Illinois	Approved	09/14/1994
Massachusetts	Approved	04/23/2002
New Jersey	Approved	07/25/1994
New York	Approved	01/20/1994
Pennsylvania	Approved	11/22/2004

Firm Operations



Types of Business

This section provides the types of business and any other business or other non-securities business the firm is engaged in or is expected to be engaged in as reported by the firm in CRD.

This firm currently conducts 9 types of businesses.

Types of Business

Broker or dealer making inter-dealer markets in corporation securities over-the-counter

Broker or dealer retailing corporate equity securities over-the-counter

Mutual fund retailer

U S. government securities dealer

U S. government securities broker

Municipal securities broker

Put and call broker or dealer or option writer

Non-exchange member arranging for transactions in listed securities by exchange member

Trading securities for own account

Firm Operations



Clearing Arrangements

This firm does not hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

Introducing Arrangements

This firm does not refer or introduce customers to other brokers and dealers.

Firm Operations

Industry Arrangements



This firm does not have books or records maintained by a third party.

This firm does have accounts, funds, or securities maintained by a third party.

Name: PENSON FINANCIAL SERVICES, INC.
CRD #: 25866
Business Address: 1700 PACIFIC AVENUE SUITE 1400
DALLAS, TX 75201
Effective Date: 04/24/1999
Description: DOMESTIC SECURITIES, INC. CLEARS ON A FULLY DISCLOSED BASIS THROUGH PENSON FINANCIAL SERVICES, INC. PENSON HOLDS FUNDS AND SECURITIES OF APPLICANT'S CLIENTS.

This firm does have customer accounts, funds, or securities maintained by a third party.

Name: PENSON FINANCIAL SERVICES, INC.
CRD #: 25866
Business Address: 1700 PACIFIC AVENUE SUITE 1400
DALLAS, TX 75201
Effective Date: 04/24/1999
Description: DOMESTIC SECURITIES, INC. CLEARS ON A FULLY DISCLOSED BASIS THROUGH PENSON FINANCIAL SERVICES, INC. PENSON HOLDS FUNDS AND SECURITIES OF APPLICANT'S CLIENTS.

Control Persons/Financing

This firm does not have individuals who control its management or policies through agreement.

This firm does not have individuals who wholly or partly finance the firm's business.



Firm Operations

Organization Affiliates

This section provides any information on control relationships the firm has with other firms in the securities, investment advisory, or banking business as reported by the firm in CRD.

This firm is, directly or indirectly:

- in control of
 - controlled by
 - or under common control with
- the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

RUSHMORE CAPITAL, INC. is under common control with the firm.

CRD #:	5940
Business Address:	160 SUMMIT AVE. MONTVALE, NJ 07645
Effective Date:	09/01/2008
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	No
Description:	FIRMS HAVE COMMON CONTROL AND OWNERSHIP

ATTAIN SERVICES INC. is under common control with the firm.

Business Address:	160 SUMMIT AVE MONTVALE, NJ 10990
Effective Date:	08/18/2008
Foreign Entity:	No
Country:	
Securities Activities:	No
Investment Advisory Activities:	No
Description:	PARENT COMPANY OWNS ATTAIN SERVICES AND DOMESTIC SECURITIES

This firm is not directly or indirectly, controlled by the following:

Firm Operations



Organization Affiliates (continued)

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union
- or foreign bank

Disclosure of Arbitration Awards, Disciplinary, Financial, and Regulatory Events



Firms are required to answer a series of disclosure questions on Form BD and provide corresponding details to certain events as part of the securities industry registration and licensing process. The disclosure questions concern certain criminal events, civil actions, financial disclosures (e.g., bankruptcy or liquidation proceedings filed within the past ten years), bond actions and unpaid judgments and liens. The firm must answer either "yes" or "no" to each question as it applies to the firm itself or to any of its control affiliates (i.e., an individual, partnership, corporation, trust, or other organization that directly or indirectly controls, is under common control with, or is controlled by the firm). This section lists the various disclosure questions and their corresponding answers as reported by the firm on Form BD.



Possible multiple reporting sources -- please note:

Disclosure event details may be reported by more than one source (i.e., regulator or firm). When this occurs, all versions of the reported event will appear in the firm's BrokerCheck report. The different versions of the same reported disclosure event are separated by a solid line with the reporting source clearly labeled.

	Pending	Final	On Appeal
Regulatory Event	0	12	0



Disclosure Event Details

This section provides the specific details for each disclosure event that was reported in CRD which was reported as part of the securities industry registration and licensing process. It also includes summary information regarding arbitration awards in cases where the firm was named as a respondent in the consumer-initiated arbitration proceeding, if any.

Nothing will be displayed in this section of the firm's BrokerCheck Report when the firm has no reported disclosure information.

If the firm does have reported disclosure events, please keep the following in mind when evaluating the disclosure event details. Items may involve pending actions or allegations that may be contested and have not been resolved or proven. In the end, the items may be withdrawn, dismissed, or otherwise resolved in favor of the firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

This report provides the information exactly as it was reported to CRD by the firm and/or by regulators. Some of the specific data fields contained in this section of the report may be blank if the information was not provided to CRD.

Disclosure events may be reported by more than one source (i.e., regulator and firm). When this occurs, all versions of the event will appear on the firm's BrokerCheck report. A solid line separates the different versions of the same disclosure event with the reporting source labeled (e.g., Source: Firm or Source: Regulator).

Regulatory - Final

This section provides information regarding any final, regulatory action as reported by the firm and/or a securities regulator to CRD as part of the securities industry registration and licensing process. Such event may include a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, a self-regulatory organization, a federal regulator such as the U.S. Securities and Exchange Commission (SEC) or the Commodity Futures Trading Commission (CFTC), or a foreign financial regulatory body) for a violation of investment-related rules or regulations. In addition, a revocation or suspension of the authority of a firm's control affiliate to act as an attorney, accountant or federal contractor, if any, will appear here.

Disclosure 1 of 12

Reporting Source: Regulator

Current Status: Final

Allegations: SEC RULE 604 OF REGULATION NMS: THE FIRM FAILED TO DISPLAY IMMEDIATELY 59 CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES IN ITS PUBLIC QUOTATION, WHEN EACH SUCH ORDER WAS AT A PRICE THAT WOULD HAVE IMPROVED THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY; OR WHEN THE ORDER WAS PRICED EQUAL TO THE FIRM'S BID OR OFFER AND THE NATIONAL BEST BID OR OFFER FOR EACH SUCH SECURITY, AND THE SIZE OF THE ORDER REPRESENTED MORE THAN A DE MINIMIS CHANGE IN RELATION TO THE SIZE ASSOCIATED WITH THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY.



Initiated By: NASDAQ STOCK MARKET
Date Initiated: 04/28/2011
Docket/Case Number: 2008012602901
Principal Product Type: Other
Other Product Type(s): NASDAQ SECURITIES
Principal Sanction(s)/Relief Sought: Other
Other Sanction(s)/Relief Sought: N/A
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 04/28/2011
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Monetary/Fine \$5,000.00
Other Sanctions Ordered:
Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS FINED \$5,000.

Reporting Source: Firm
Current Status: Final
Allegations: POTENTIAL VIOLATIONS OF SEC RULE 604 REG NMS. IN 59 INSTANCES IN NASDAQ SECURITIES THE FIRM FAILED TO DISPLAY IN IT PUBLIC QUOTATION AN IMPROVED BID OR OFFER AND SIZE FOR THE CUSTOMER ORDERS.
Initiated By: THE NASDAQ STOCK MARKET C/O FINRA
Date Initiated: 04/28/2011
Docket/Case Number: 20080126029-01
Principal Product Type: Equity Listed (Common & Preferred Stock)

**Other Product Type(s):**

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/28/2011

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS THE FIRM CONSENTED TO THE FINDING THAT THEY FAILED TO DISPLAY 59 CUSTOMER ORDERS POTENTIAL VIOLATIONS OF SEC RULE 604 REG NMS

Summary: WITHOUT ADMITTING OR DENYING THE FINDINGS THE FIRM CONSENTED TO THE FINDING THAT THEY FAILED TO DISPLAY 59 CUSTOMER ORDERS POTENTIAL VIOLATIONS OF SEC RULE 604 REG NMS. ON 04/28/2011 AN AWC CONTAINING A FINE OF \$ 5000.00 WAS ACCEPTED.

Disclosure 2 of 12

Reporting Source: Regulator

Current Status: Final

Allegations: FINRA RULES 2010, 7450, NASD RULES 2111(A), 2320 - DOMESTIC SECURITIES, INC. TRANSMITTED TO THE ORDER AUDIT TRAIL SYSTEM (OATS) REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA; REPORTS WERE MARKED WITH A LIMIT ORDER DISPLAY INDICATOR OF "Y", INDICATING THAT THE FIRM RECEIVED INSTRUCTIONS FROM THE CUSTOMER THAT A NON-BLOCK SIZE LIMIT ORDER SHOULD NOT BE DISPLAYED OR A BLOCK SIZE LIMIT ORDER SHOULD BE DISPLAYED, WHEN IN FACT NO SUCH INSTRUCTION WAS RECEIVED. IN ONE INSTANCE, THE FIRM FAILED TO SUBMIT A CANCEL REPORT. THE FIRM FAILED TO EXECUTE ORDERS FULLY AND PROMPTLY. IN TRANSACTIONS FOR OR WITH A CUSTOMER, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS.

Initiated By: FINRA

Date Initiated: 04/05/2011



Docket/Case Number: [2009017006401](#)

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/05/2011

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$17,500.00
Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$17,500 AND ORDERED TO PAY \$390.21, PLUS INTEREST, IN RESTITUTION TO INVESTORS. A REGISTERED PRINCIPAL OF THE FIRM SHALL SUBMIT SATISFACTORY PROOF OF RESTITUTION, OR OF REASONABLE AND DOCUMENTED EFFORTS UNDERTAKEN TO EFFECT RESTITUTION TO FINRA NO LATER THAN 120 DAYS AFTER ACCEPTANCE OF THIS AWC. ANY UNDISTRIBUTED RESTITUTION AND INTEREST SHALL BE FORWARDED TO THE APPROPRIATE ESCHEAT, UNCLAIMED PROPERTY OR ABANDONED PROPERTY FUND FOR THE STATE IN WHICH THE CUSTOMER LAST RESIDED.

Reporting Source: Firm

Current Status: Final

Allegations: POTENTIAL VIOLATIONS OF FINRA RULES 2010, 7450, NASD RULES2111(A), 2320 22 INACCURATE OATS REPORTS BY SUBMITTING THE Y INDICATOR IN THE LIMIT ORDER DISPLAY INDICATOR FIELD AND FAILED THE SUBMIT A CANCEL REPORT FOR ONE ORDER FROM THE 2009 TMMS EXAMINATION



MATTER # 20090170064 AND 40 INSTANCES FOR MARKET ORDER
TIMELINESS INVOLVING 17 TRANSACTIONS WITH OR FOR A CUSTOMER
THE FIRM FAILED TO USE REASONABLE DILLIGENCE AND ASCERTAIN THE
BEST INTER-DEALER MARKET MATTER # 20090181462

Initiated By: FINRA

Date Initiated: 04/05/2011

Docket/Case Number: 20090170064-01

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE \$17,500.00

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/15/2011

Sanctions Ordered: Censure
Monetary/Fine \$17,500.00
Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details: WITH OUT ADMITTING OR DENYING THE FINDINGS THE FIRM CONSENTED TO A \$ 10,000.00 FINE FOR MARKET ORDER TIMELINESS AND WILL MAKE RESTITUTION TO INVESTORS IN THE AMOUNT OF \$390.21 PLUS INTEREST AND 7,500.00 FOR INACCURATE OATS REPORTS. A PRINCIPAL OF THE FIRM WILL PROVIDE EVIDENCE THE RESTITUTION WAS PAID WITHIN 120 DAYS OF THE ACCEPTANCE OF THE AWC.

Summary: WITHOUT ADMITTING OR DENYING THE FINDINGS THE FIRM CONSENTED 22 INACCURATE OATS REPORTS FROM THE 2009 TMMS EXAMINATION MATTER # 20090170064 AND 40 INSTANCES FOR MARKET ORDER TIMELINESS INVOLVING 17 TRANSACTIONS MATTER # 20090181462

Disclosure 3 of 12

Reporting Source: Regulator

Current Status: Final

Allegations: SEC RULES 17A-3, SEC RULE 605 OF REGULATION NMS, NASD RULES 2110, 2111(A), 2111(B), 2320, 3010, 3110, 6130(D),INTERPRETATIVE MATERIAL 2110-2 - DOMESTIC SECURITIES, INC. FAILED TO EXECUTE



CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES AFTER IT TRADED EACH SUBJECT SECURITY FOR ITS OWN MARKET-MAKING ACCOUNT AT A PRICE THAT WOULD HAVE SATISFIED EACH CUSTOMER'S LIMIT ORDER AND FAILED TO CONTEMPORANEOUSLY OR PARTIALLY EXECUTE CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES AFTER IT TRADED EACH SUBJECT SECURITY FOR ITS OWN MARKET-MAKING ACCOUNT AT A PRICE THAT WOULD HAVE SATISFIED EACH CUSTOMER'S LIMIT ORDER. THE FIRM ACCEPTED AND HELD CUSTOMER MARKET ORDERS, TRADED FOR ITS OWN ACCOUNT AT PRICES THAT WOULD HAVE SATISFIED THE CUSTOMER MARKET ORDERS, AND FAILED TO IMMEDIATELY THEREAFTER EXECUTE THE CUSTOMER MARKET ORDERS UP TO THE SIZE AND AND AT THE SAME PRICE AT WHICH IT TRADED FOR ITS OWN ACCOUNT OR AT A BETTER PRICE. THE FIRM FAILED TO EXECUTE ORDERS FULLY AND PROMPTLY. IN TRANSACTIONS FOR OR WITH A CUSTOMER, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS. THE FIRM EXECUTED ONE SHORT SALE TRANSACTION AND FAILED TO REPORT IT TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) WITH A SHORT SALE MODIFIER; THE FIRM EXECUTED SHORT SALE TRANSACTIONS AND FAILED TO REPORT THEM TO THE FNTRF WITH THE CORRECT SYMBOL INDICATING WHETHER THE TRANSACTIONS WERE A BUY, SELL, SELL SHORT OR CROSS FOR TRANSACTIONS IN REPORTABLE SECURITIES. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATION AND/OR NASD RULES ADDRESSING QUALITY OF MARKETS TOPICS. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES FAILED TO PROVIDE FOR MINIMUM REQUIREMENTS FOR ADEQUATE WRITTEN SUPERVISORY PROCEDURES IN MARKET ORDER PROTECTION AND NASDAQ RULE 4755; TRADE REPORTING, RISKLESS PRINCIPAL TRANSACTIONS AND BEST EXECUTION, NOT HELD ORDERS AND RISKLESS PRINCIPAL TRANSACTIONS; AND BEST EXECUTION, PRINCIPAL TRANSACTIONS. THE FIRM MADE AVAILABLE REPORTS ON THE COVERED ORDERS IN NATIONAL MARKET SYSTEM SECURITIES THAT IT RECEIVED FOR EXECUTION FROM ANY PERSON THAT INCLUDED INCORRECT INFORMATION FOR SOME SECURITIES AS TO THE AVERAGE REALIZED SPREAD, THE AVERAGE EFFECTIVE SPREAD; PRICE IMPROVED SHARES; PRICE IMPROVED AVERAGE AMOUNT, AT THE QUOTE SHARES; AT THE QUOTE AVERAGE TIME; AND PRICE IMPROVED AVERAGE TIME. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES CONCERNING DISCLOSURE OF ORDER EXECUTION INFORMATION. THE FIRM FAILED TO



DOCUMENT THE TERMS AND CONDITIONS OF ALL ORDERS RECEIVED FROM ONE OF ITS CUSTOMERS BY FAILING TO SHOW THE TERMS AND CONDITIONS ON NUMEROUS BROKERAGE ORDER MEMORANDA FROM THIS CUSTOMER FOR ORDERS.

Initiated By: FINRA

Date Initiated: 01/06/2011

Docket/Case Number: [2005003185202](#)

Principal Product Type: Other

Other Product Type(s): NASDAQ SECURITIES, REPORTABLE SECURITIES, NATIONAL MARKET SYSTEM SEUCRITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/06/2011

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$142,500.00
Disgorgement/Restitution

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$142,500, ORDERED TO PAY \$4,046.82, PLUS INTEREST, IN RESTITUTION TO INVESTORS AND TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING MARKET ORDER PROTECTION AND NASDAQ RULE 4755; TRADE REPORTING, RISKLESS PRINCIPAL TRANSACTIONS AND BEST EXECUTION, NOT HELD ORDERS AND RISKLESS PRINCIPAL TRANSACTIONS; AND BEST EXECUTION, PRINCIPAL TRANSACTIONS AND DISCLOSURE OF ORDER EXECUTION INFORMATION WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC. A REGISTERED FIRM PRINCIPAL SHALL SUBMIT SATISFACTORY PROOF OF PAYMENT OF THE RESTITUTION OR REASONABLE AND DOCUMENTED EFFORTS UNDERTAKEN TO EFFECT



RESTITUTION TO FINRA NO LATER THAN 120 DAYS AFTER ACCEPTANCE OF THIS AWC. ANY UNDISTRIBUTED RESTITUTION AND INTEREST SHALL BE FORWARDED TO THE APPROPRIATE ESCHEAT, UNCLAIMED PROPERTY OR ABANDONED PROPERTY FUND FOR THE STATE IN WHICH THE CUSTOMER LAST RESIDED.

Reporting Source: Firm

Current Status: Final

Allegations: DURING THE PERIOD 2005 THROUGH 2009 WITHOUT ADMITTING OR DENYING FINRA'S FINDINGS DOMESTIC CONSENTED TO FINES OF 142500.00 FOR SHORT SALE REPORTING, SUPERVISION, SEC RULE 605, RECORD KEEPING LIMIT ORDER PROTECTION AND MARKET ORDER TIMELINESS.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 01/06/2011

Docket/Case Number: 20050031852-02

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE, RESTITUTION AND UNDERTAKING

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/06/2011

Sanctions Ordered: Censure
Monetary/Fine \$142,500.00
Disgorgement/Restitution

Other Sanctions Ordered: UNDERTAKING

Sanction Details: \$142,500.00 FINE CONSISTED OF \$ 50,000 FOR RECORD KEEPING \$15,000 FOR SEC RULE 605, \$10,000 FOR SUPERVISION, \$10,000 FOR SHORT SALE REPORTING, \$5,000 FOR LIMIT ORDER PROTECTION AND \$52,500 FOR MARKET ORDER TIMELINESS AND BEST EXECUTION. \$4,046.82 IN RESTITUTION AND AN UNDERTAKING TO UPDATE THE WRITTEN SUPERVISORY PROCEDURES.

Summary: DURING THE PERIOD 2005 THROUGH 2009 WITHOUT ADMITTING OR DENYING FINRA'S FINDINGS DOMESTIC CONSENTED TO FINES OF



142500.00 FOR SHORT SALE REPORTING, SUPERVISION, SEC RULE 605, RECORD KEEPING LIMIT ORDER PROTECTION BEST EXECUTION AND MARKET ORDER TIMELINESS.

Disclosure 4 of 12

Reporting Source:	Firm
Current Status:	Final
Allegations:	THE CENSURE AND FINE WERE THE RESULT OF A LIMIT ORDER DISPLAY SWEEP FOR THE FIRST QUARTER 2007. THE ALLEGATIONS WERE THE FIRM FAILED TO IMMEDIATELY DISPLAY 43 CUSTOMER LIMIT ORDERS. AND A TRADING AND MARKET MAKING EXAMINATION FROM 2008. THE ALLEGATIONS WERE IN 13 INSTANCES THE FIRM FAILED TO CORRECTLY INDICATE WHETHER A TRANSACTION WAS LONG OR SHORT. DOMESTIC CONSENTED TO THE FINDINGS WITHOUT ADMITTING OR DENYING THE ALLEGATIONS.
Initiated By:	NASDAQ
Date Initiated:	03/04/2010
Docket/Case Number:	20050031852-01
Principal Product Type:	Equity - OTC
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	10,000 DOLLAR FINE
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	04/06/2010
Sanctions Ordered:	Censure Monetary/Fine \$10,000.00
Other Sanctions Ordered:	
Sanction Details:	THE FIRM CONSENTED TO A 5,000.00 FINE FOR LIMIT ORDER DISPLAY MATTER # 20070102520 AND A 5,000.00 FINE FOR THE THE 2008 TRADING AND MARKET MAKING EXAMINATION MATER # 20080141264.

Disclosure 5 of 12

Reporting Source:	Regulator
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Current Status: Final

Allegations: SEC RULE 604 OF REGULATION NMS, NASDAQ RULE 4755 - DOMESTIC SECURITIES, INC. FAILED TO DISPLAY IMMEDIATELY CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES IN ITS PUBLIC QUOTATION, WHEN EACH SUCH ORDER WAS AT A PRICE THAT WOULD HAVE IMPROVED THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY; OR WHEN THE ORDER WAS PRICED EQUAL TO THE FIRM'S BID OR OFFER AND THE NATIONAL BEST BID OR OFFER FOR EACH SUCH SECURITY, AND THE SIZE OF THE ORDER REPRESENTED MORE THAN A DE MINIMIS CHANGE IN RELATION TO THE SIZE ASSOCIATED WITH THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY. THE FIRM ENTERED ORDERS INTO THE NASDAQ MARKET CENTER THAT FAILED TO CORRECTLY INDICATE WHETHER THE ORDERS WERE A BUY, SHORT SALE OR LONG SALE.

Initiated By: NASDAQ STOCK MARKET

Date Initiated: 04/06/2010

Docket/Case Number: 2005003185201

Principal Product Type: Other

Other Product Type(s): NASDAQ SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/06/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$10,000.



Disclosure 6 of 12

Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>NASD RULES 2110, 3010, 4632(A), 6130(D), 6130(D)(7), 6620(C)(5), 6620(D), 6620(F):</p> <p>RESPONDENT MEMBER FIRM FAILED TO REPORT TO THE NASDAQ MARKET CENTER (NMC) THE CORRECT SYMBOL INDICATING WHETHER THE TRANSACTION WAS A BUY, SELL, SELL SHORT, SELL SHORT EXEMPT OR CROSS FOR TRANSACTIONS IN ELIGIBLE SECURITIES. IT ACCEPTED IN THE NMC REPORTS TRANSACTIONS IN ELIGIBLE SECURITIES THAT DID NOT REFLECT THE CORRECT SYMBOL INDICATING WHETHER THE FIRM ACTED IN A PRINCIPAL OR AGENCY CAPACITY AND INCORRECTLY REPORTED A CLEARING-ONLY OR NON-TAPE, NON-CLEARING REPORT BECAUSE OF INCORRECTLY DESIGNATED TRANSACTIONS IN OTC EQUITY SECURITIES. THE FIRM INCORRECTLY REPORTED TO THE OTC REPORTING FACILITY THE SECOND LEG OF "RISKLESS" PRINCIPAL TRANSACTIONS IN DESIGNATED SECURITIES, FAILED TO REPORT THE CORRECT TIME OF EXECUTION IN FOUR LAST SALE REPORTS OF TRANSACTIONS IN OTC EQUITY SECURITIES; FAILED TO REPORT THE CORRECT SYMBOL INDICATING WHETHER THE FIRM EXECUTED TRANSACTIONS IN OTC EQUITY SECURITIES IN A PRINCIPAL OR AGENCY CAPACITY; FAILED TO REPORT THE CANCELLATION OF ONE TRADE PREVIOUSLY SUBMITTED AND FAILED TO TIMELY REPORT THE CANCELLATION OF ONE TRADE PREVIOUSLY SUBMITTED. IT INCORRECTLY DESIGNATED AS ".W" TRADE TO THE TRADE REPORTING FACILITY THREE LAST SALE REPORTS OF TRANSACTIONS IN DESIGNATED SECURITIES. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR FINRA RULES.</p>
Initiated By:	FINRA
Date Initiated:	10/13/2008
Docket/Case Number:	2006005871801
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	



Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/13/2008

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered: UNDERTAKINGS

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, RESPONDENT MEMBER FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, FIRM IS CENSURED AND FINED \$15,000, AND REQUIRED TO REVISE ITS APPLICABLE WRITTEN SUPERVISORY PROCEDURES. WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF AWC, A REGISTERED PRINCIPAL OF THE FIRM SHALL PROVIDE TO FINRA A REPRESENTATION THAT THE FIRM HAS REVISED ITS WRITTEN SUPERVISORY PROCEDURES TO ADDRESS DEFICIENCIES AND THE DATE THE REVISED PROCEDURES WERE IMPLEMENTED.

Reporting Source: Firm

Current Status: Final

Allegations: AWC SETTLEMENT FOR POTENTIAL TRADE REPORTING AND SUPERVISORY VIOLATIONS FROM THE FIRMS 2006 AND 2007 TRADING AND MARKET MAKING EXAMINATIONS.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 09/18/2008

Docket/Case Number: 20060058718-01

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: 15,000 FINE AND AND UNDERTAKING TO REVISE THE WRITTEN SUPERVISORY PROCEDURES

Resolution: Acceptance, Waiver & Consent(AWC)



Resolution Date: 10/13/2008

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered: UNDERTAKING TO REVISE THE WRITTEN SUPERVISORY PROCEDURES

Sanction Details: 15000 DOLLAR FINE AND AND UNDERTAKING TO REVISE THE WRITTEN SUPERVISORY PROCEDURES.

Disclosure 7 of 12

Reporting Source: Regulator

Current Status: Final

Allegations: NASD RULES 2110, 3010, 4632(D), 6130, 6130(D), 6620(D) - DOMESTIC SECURITIES, INC. EXECUTED SHORT SALE TRANSACTIONS AND FAILED TO REPORT THEM TO NASDAQ MARKET CENTER WITH A SHORT SALE MODIFIER; THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES CONCERNING LIMIT ORDER DISPLAY, LIMIT ORDER PROTECTION, THE THREE QUOTE RULE, BEST EXECUTION, SEC RULE 11AC1-5, ANTICOMPETITIVE PRACTICES, TRADE REPORTING, SHORT SALES, RECORD KEEPING; FAILED TO ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING REGISTRATION, OATS CLOCK SYNCHRONIZATION, OATS ACCURACY, RISKLESS PRINCIPAL TRADING; THE FIRM'S DOCUMENTATION FAILED TO EVIDENCE THAT IT CONDUCTED THE REVIEWS DESCRIBED IN ITS WRITTEN SUPERVISORY PROCEDURES; FAILED TO REPORT TO NASDAQ MARKET CENTER THE CORRECT SYMBOL INDICATING WHETHER IT EXECUTED TRANSACTIONS IN ELIGIBLE SECURITIES IN A PRINCIPAL OR AGENCY CAPACITY; INCORRECTLY REPORTED TO ACT THE FIRST LEG OF "RISKLESS" PRINCIPAL TRANSACTIONS IN NASDAQ MARKET SECURITIES AND INCORRECTLY DESIGNATED THE CAPACITY OF EACH TRANSACTION AS AGENT; INCORRECTLY REPORTED TO ACT THE SECOND LEG OF "RISKLESS" PRINCIPAL TRANSACTIONS IN NASDAQ NATIONAL MARKET SECURITIES BY FAILING TO SUBMIT THE TRANSACTION REPORTS AS CLEARING-ONLY REPORTS OR NON-TAPE, NON-CLEARING REPORTS; INCORRECTLY REPORTED TO ACT A "RISKLESS" PRINCIPAL TRANSACTION IN AN OTC EQUITY SECURITY BY INCORRECTLY REPORTING THE ENTIRE AMOUNT OF THE TRANSACTION AS "RISKLESS" WHEN ONLY A PORTION OF THE TRANSACTION WAS A "RISKLESS" PRINCIPAL TRANSACTION.

Initiated By: NASD

Date Initiated: 01/09/2007



Docket/Case Number: 20050002643
Principal Product Type: Equity - OTC
Other Product Type(s): NASDAQ MARKET SECURITIES
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 01/09/2007
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Censure
 Monetary/Fine \$28,000.00
Other Sanctions Ordered: UNDERTAKING
Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$28,000 AND REQUIRED TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES REGARDING LIMIT ORDER DISPLAY, LIMIT ORDER PROTECTION, THE THREE QUOTE RULE, BEST EXECUTION, SEC RULE 11AC1-5, ANTICOMPETITIVE PRACTICES, TRADE REPORTING, SHORT SALES, RECORD KEEPING WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC.

Reporting Source: Firm
Current Status: Final
Allegations: SETTLE FINDINGS TMMS 2004 & 2005 EXAMINATIONS' FOR POTENTIAL VIOLATIONS OF ACT & TRADE REPORTING AND SUPERVISION
Initiated By: NASD
Date Initiated: 01/09/2007
Docket/Case Number: AWC20050002643
Principal Product Type: Equity - OTC

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:** Censure**Other Sanction(s)/Relief Sought:** FINE 28000.00**Resolution:** Acceptance, Waiver & Consent(AWC)**Resolution Date:** 01/09/2007**Sanctions Ordered:** Censure
Monetary/Fine \$28,000.00**Other Sanctions Ordered:** AND AN UNDERTAKING TO REVISE THE WRITTEN SUPERVISORY PROCEDURES**Sanction Details:** CENSURE FINE 28000.00**Summary:** FINDING FROM 2004, 2005 TMMS EXAMINATIONS- 5,000 ACT 8,000 SUPERVISION MRD#20050002643, 5,000 TRADE REPORTING 5,000 ACT 5,000 SUPERVISION MRD#20050026680.**Disclosure 8 of 12****Reporting Source:** Regulator**Current Status:** Final**Allegations:** NASD RULES 2110, 3011(A), (B), (E) AND MSRB RULE G-41 - THE FIRM'S ANTI-MONEY LAUNDERING (AML), POLICIES, PROCEDURES AND INTERNAL CONTROLS WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT AND THE IMPLEMENTING REGULATIONS THEREUNDER. FURTHERMORE, THE FIRM DID NOT ADEQUATELY ESTABLISH POLICIES AND PROCEDURES FOR MONITORING, ANALYZING, INVESTIGATING, AND REPORT SUSPICIOUS ACTIVITY ASSOCIATED WITH THE FIRM'S MARKET MAKING BUSINESS. DOMESTIC DID NOT PROVIDE AML TRAINING TO ITS TRADERS FROM AT LEAST JANUARY 2004 TO JULY 2006. DESPITE THE EXISTENCE OF NUMEROUS RED FLAGS ARISING OUT OF THE IN-HOUSE CROSS TRADES, THE FIRM FAILED TO MONITOR, ANALYZE AND INVESTIGATE SUSPICIOUS TRANSACTIONS IN ORDER TO DETERMINE IF IT WAS APPROPRIATE TO FILE AN SUSPICIOUS ACTIVITY REPORT ("SAR-SF") FORM.**Initiated By:** FINRA (F/K/A NASD)**Date Initiated:** 10/03/2006**Docket/Case Number:** [2005001819101](#)



Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 11/04/2008

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$10,000.00

Other Sanctions Ordered: UNDERTAKINGS

Sanction Details: NAC DECISION RENDERED OCTOBER 2, 2008, WHEREIN HEARING PANEL'S FINDINGS ARE AFFIRMED AND SANCTION MODIFIED. DOMESTIC FAILED TO ESTABLISH ADEQUATE AML POLICIES AND PROCEDURES REASONABLY DESIGNED TO ACHIEVE AND MONITOR COMPLIANCE WITH APPLICABLE AML LAWS, RULES, AND REGULATIONS; ACCORDINGLY, THE FIRM WAS FINED \$10,000 AND ORDERED TO REVISE ITS AML POLICIES AND PROCEDURES AND CERTIFY ITS COMPLIANCE TO FINRA THROUGH ITS AML COMPLIANCE PERSON WITHIN 30 DAYS AFTER THIS DECISION BECOMES FINAL. IT IS FURTHER ORDERED TO CERTIFY TO FINRA ITS COMPLIANCE WITH NASD RULE 3011 QUARTERLY FOR ONE YEAR THEREAFTER. DOMESTIC IS ALSO ORDERED TO PAY HEARING COSTS OF \$3,723.35. DECISION BECAME FINAL ON NOVEMBER 4, 2008.

Summary: HEARING PANEL DECISION RENDERED AUGUST 14, 2007 WHEREIN THE FIRM WAS FINED \$10,000 AND ORDERED TO RETAIN AN INDEPENDENT CONSULTANT WITHIN 75 DAYS OF THIS DECISION BECOMING FINAL TO CONDUCT A PROMPT REVIEW OF THE FIRM'S WRITTEN AML PROGRAM AND ITS IMPLEMENTATION, SUBMIT A REPORT TO FINRA WITH ITS FINDINGS AND RECOMMENDATION ALONG WITH THE FIRM'S ACTIONS TO IMPLEMENT THE RECOMMENDATIONS. THE FIRM WAS ALSO ORDERED TO PAY COSTS OF \$3,723.35. THE HEARING PANEL DISMISSED THE ALLEGATIONS IN CAUSES TWO AND THREE ALLEGING VIOLATIONS OF NASD RULE 3011 (A),(E) AND MSRB RULE G-41 THAT THE FIRM DID NOT PROVIDE AML TRAINING TO ITS TRADERS DURING A PERIOD OF TIME AND THAT IT FAILED TO MONITOR, ANALYZE AND INVESTIGATE SUSPICIOUS



TRANSACTIONS TO DETERMINE IF IT SHOULD FILE A SAR-SF FORM. THE HEARING PANEL ALSO DISMISSED THE CHARGE THAT THE FIRM VIOLATED MSRB RULE G-41 BECAUSE THERE WAS NO EVIDENCE IT CONDUCTED A MUNICIPAL SECURITIES BUSINESS. HEARING PANEL DECISION CALLED FOR REVIEW BY THE NAC ON SEPTEMBER 14, 2007.

Reporting Source: Firm

Current Status: Final

Appealed To and Date Appeal Filed: HEARING PANEL DECISION ON 8/14/07 CALLED FOR REVIEW BY THE NAC. NAC DECISION ON 10/02/2008.

Allegations: THE COMPLAINT ALLEGES THAT REGISTRANT'S AML PROCEDURES AND TRAINING WERE INADEQUATE AND THAT REGISTRANT FAILED TO INVESTIGATE CERTAIN TRANSACTIONS TO DETERMINE IF A FORM SAR SHOULD HAVE BEEN FILED. THE COMPLAINT DOES NOT ALLEGE THAT ANY MONEY LAUNDERING OCCURED OR THAT A FORM SAR SHOULD HAVE BEEN FILED.

Initiated By: NASD

Date Initiated: 10/03/2006

Docket/Case Number: [2005001819101](#)

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 10/02/2008

Sanctions Ordered: Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: 10,000 FINE AND CERTIFY AML PROCEDURES QUARTERLY FOR ONE YEAR.

Summary: THE COMPLAINT WAS FILED RECENTLY AND THE PROCEEDING IS PENDING. REGISTRANT DENIES THE ALLEGATIONS OF THE COMPLAINT, DENIES THAT ANY VIOLATION HAS OCCURED, AND INTENDS TO LITIGATE THE PROCEEDING VIGOROUSLY.



Disclosure 9 of 12

Reporting Source: Regulator

Current Status: Final

Allegations: SEC RULE 11AC1-5- RESPONDENT FIRM CLASSIFIED AN ORDER TO SELL SHORT AS A "COVERED" ORDER IN CONNECTION WITH THE FIRM'S SEC RULE 11AC1-5 DATA DISCLOSURES.

Initiated By: NASD

Date Initiated: 08/10/2005

Docket/Case Number: [2005000264801](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 08/10/2005

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, RESPONDENT FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, FIRM IS CENSURED AND FINED \$10,000.

Reporting Source: Firm

Current Status: Final

Allegations: ON OR ABOUT AUGUST 10, 2005, DOMESTIC SECURITIES,INC. RECEIVED



NOTICE THAT AWC2005000264801 HAD BEEN ACCEPTED. WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE NASD FINDINGS THAT IT HAD, IN TWO INSTANCES ON AUGUST 19, 2004, ATTN ECN INCORRECTLY CLASSIFIED AN ORDER TO SELL SHORT AS A "COVERED" ORDER IN CONNECTION WITH THE FIRM'S SEC RULE 11AC 1-5 DATA DISCLOSURES.

Initiated By: NASD

Date Initiated: 08/10/2005

Docket/Case Number: AWC 2005000264801

Principal Product Type: Other

Other Product Type(s): ATTAIN ECN

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 08/10/2005

Sanctions Ordered: Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM AGREED TO A CENSURE AND FINE OF \$10,000.

Summary: ON OR ABOUT AUGUST 10, 2005, DOMESTIC SECURITIES,INC. RECEIVED NOTICE THAT AWC2005000264801 HAD BEEN ACCEPTED. WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE NASD FINDINGS THAT IT HAD, IN TWO INSTANCES ON AUGUST 19, 2004, ATTN ECN INCORRECTLY CLASSIFIED AN ORDER TO SELL SHORT AS A "COVERED" ORDER IN CONNECTION WITH THE FIRM'S SEC RULE 11AC 1-5 DATA DISCLOSURES.

Disclosure 10 of 12

Reporting Source: Regulator

Current Status: Final

Allegations: NASD CONDUCT RULES 2110 AND 3010, AND SEC RULE 11AC1-5 - RESPONDENT MEMBER ("FIRM") MADE AVAILABLE A REPORT ON THE COVERED ORDERS IN NATIONAL MARKET SYSTEM SECURITIES THAT IT RECEIVED FOR EXECUTION FROM ANY PERSON. THIS REPORT INCLUDED INCORRECT INFORMATION AS TO THE NUMBER OF COVERED ORDERS;



THE CUMULATIVE NUMBER OF SHARES OF COVERED ORDERS; AND THE AVERAGE REALIZED SPREAD FOR EXECUTION OF COVERED ORDERS. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND THE RULES OF NASD, CONCERNING SEC RULE 11AC1-5. SPECIFICALLY, THE FIRM'S SUPERVISORY SYSTEM DID NOT INCLUDE WRITTEN SUPERVISORY PROCEDURES PROVIDING FOR: (1) THE IDENTIFICATION OF THE PERSON(S) RESPONSIBLE FOR SUPERVISION WITH RESPECT TO THE APPLICABLE RULES; (2) A STATEMENT OF THE SUPERVISORY STEP(S) TO BE TAKE BY THE IDENTIFIED PERSON(S); (3) A STATEMENT AS TO HOW OFTEN SUCH PERSON(S) SHOULD TAKE SUCH STEP(S); AND (4) A STATEMENT AS TO HOW THE COMPLETION OF THE STEP(S) INCLUDE IN THE WRITTEN SUPERVISORY PROCEDURES SHOULD BE DOCUMENTED.

Initiated By: NASD

Date Initiated: 02/09/2004

Docket/Case Number: CMS040011

Principal Product Type: Other

Other Product Type(s): UNKNOWN TYPE OF SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 02/09/2004

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, RESPONDENT FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, FIRM IS CENSURED, FINED \$10,000, AND REQUIRED TO UNDERTAKE TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO APPLICABLE SECURITIES LAWS AND



REGULATIONS, AND THE RULES OF NASD, CONCERNING SEC RULE 11AC1-5 WITHIN 30 BUSINESS DAYS.

Reporting Source: Firm

Current Status: Final

Allegations: ON OR ABOUT FEBRUARY 13, 2004, DOMESTIC SECURITIES RECEIVED NOTICE THAT AWC CMS040011 HAD BEEN ACCEPTED. WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE NASD FINDINGS THAT IT HAD, FOR THE MONTH OF JANUARY 2003, SUBMITTED INCORRECT INFORMATION PURSUANT TO SEC RULE 11AC 1-5, IN CONNECTION WITH THE NUMBER OF COVERED ORDERS, THE CUMULATIVE NUMBER OF SHARES OF COVERED ORDERS AND THE AVERAGE REALIZED SPREAD OF COVERED ORDERS. THE FIRM FURTHER AGREED TO FINDINGS THAT ITS SUPERVISORY WAS NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULE IN THAT IT DID NOT SUFFICIENTLY PROVIDE FOR: IDENTIFICATION OF THE PERSON RESPONSIBLE FOR SUPERVISION WITH THE RULE; SUPERVISORY STEPS TO BE TAKEN; THE FREQUENCY OF THE STEPS TO BE TAKEN; AND HOW THE STEPS WOULD BE DOCUMENTED.

Initiated By: NASD

Date Initiated: 02/13/2004

Docket/Case Number: AWC CMS040011

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 02/13/2004

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM AGREED TO A CENSURE, A FINE OF \$10,000 AND AN UNDERTAKING TO PROVIDE A SIGNED, DATED LETTER (WITHIN 30 BUSINESS DAYS FOR THE ACCEPTANCE OF THE AWC) UNDERTAKING A



REVISION OF THE PROCEDURES, THE CONFIRMATION THAT THE REVISION HAS BEEN COMPLETED AND THE DATE ON WHICH THE REVISED PROCEDURES ARE IMPLEMENTED.

Summary:

ON OR ABOUT FEBRUARY 13, 2004, DOMESTIC SECURITIES RECEIVED NOTICE THAT AWC CMS040011 HAD BEEN ACCEPTED. WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE NASD FINDINGS THAT IT HAD, FOR THE MONTH OF JANUARY 2003, SUBMITTED INCORRECT INFORMATION PURSUANT TO SEC RULE 11AC 1-5, IN CONNECTION WITH THE NUMBER OF COVERED ORDERS, THE CUMULATIVE NUMBER OF SHARES OF COVERED ORDERS AND THE AVERAGE REALIZED SPREAD OF COVERED ORDERS. THE FIRM FURTHER AGREED TO FINDINGS THAT ITS SUPERVISORY WAS NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULE IN THAT IT DID NOT SUFFICIENTLY PROVIDE FOR: IDENTIFICATION OF THE PERSON RESPONSIBLE FOR SUPERVISION WITH THE RULE; SUPERVISORY STEPS TO BE TAKEN; THE FREQUENCY OF THE STEPS TO BE TAKEN; AND HOW THE STEPS WOULD BE DOCUMENTED.

Disclosure 11 of 12

Reporting Source:	Regulator
Current Status:	Final
Allegations:	SEC RULE 17A-3, NASD CONDUCT RULE 2110, 3010 AND 3010(B) - A REVIEW OF NINETY-TWO TRADES EXECUTED BY RESPONDENT MEMBER REVEALED THAT IN EACH INSTANCE THE ORDER TICKET FAILED TO SHOW THE CORRECT TIME OF ENTRY AND/OR EXECUTION. RESPONDENT MEMBER ALSO FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH SEC RULE 17A-3.
Initiated By:	NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated:	05/06/2003
Docket/Case Number:	C9B030025
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)



Resolution Date: 05/06/2003

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE RESPONDENT DOMESTIC SECURITIES, INC. CONSENTED TO THE FINDING OF THE ALLEGATIONS AND TO THE FOLLOWING SANCTIONS: FINED \$5,000.

Reporting Source: Firm

Current Status: Final

Allegations: VIOLATIONS RECITED IN THE AWC, THE COMPANY CONSENTED TO FINDINGS THAT: A) FOR THE PERIOD OCT. 1, 2001 - OCTOBER 5, 2001 A REVIEW OF 92 TRADES REVEALED THAT THE ORDER TICKETS ASSOCIATED WITH THE EXECUTIONS FAILED TO SHOW CORRECT TIME OR ENTRY AND/OR EXECUTION, RESULTING IN VIOLATIONS OF SEC RULE 17A-3 AND NASD CONDUCT RULE 3110; AND B)FOR 2001 THE COMPANY FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES

Initiated By: NASD

Date Initiated: 05/08/2003

Docket/Case Number: AWC C9B030025

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/08/2003

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: AWC
MONETARY FINE OF \$5,000.00

Summary: ON OR ABOUT MAY 8, 2003, DOMESTIC SECURITIES, INC., BD NO. 34721 ("DOMESTIC" OR THE "COMPANY") RECEIVED NOTICE THAT AWC #



C9B030025 ("AWC"), WHICH IT HAD SUBMITTED TO THE NASD IN ORDER TO RESOLVE CERTAIN OUTSTANDING ALLEGATIONS, HAD BEEN ACCEPTED BY THE NASD. WITHOUT ADMITTING OR DENYING THE VIOLATIONS RECITED IN THE AWC, THE COMPANY CONSENTED TO FINDINGS THAT: A) FOR THE PERIOD OCTOBER 1, 2001 THROUGH OCTOBER 5, 2001 A REVIEW OF 92 TRADES REVEALED THAT THE ORDER TICKETS ASSOCIATED WITH THE EXECUTIONS FAILED TO SHOW THE CORRECT TIME OF ENTRY AND/OR EXECUTION, RESULTING IN VIOLATIONS OF SEC RULE 17A-3 AND NASD CONDUCT RULE 3110; AND B) FOR 2001 THE COMPANY FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH SEC RULE 17A-3, RESULTING IN VIOLATIONS OF NASD CONDUCT RULES 2110 AND 3110 (B).

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Reporting Source: Regulator

Current Status: Final

Allegations: NASD CONDUCT RULES 2110 AND 3010, NASD MARKETPLACE RULE 6955(A), AND SEC RULE 11AC1-5(B) - RESPONDENT MEMBER ("FIRM") TRANSMITTED TO OATS EXECUTION REPORTS THAT CONTAINED INACCURATE, INCOMPLETE, OR IMPROPERLY FORMATTED DATA. SPECIFICALLY, THE REPORTS FAILED TO MATCH TO AN ACT TRADE REPORT, AND CONTAINED INACCURATE TIMESTAMPS. THE FIRM ALSO FAILED TO TIMELY REPORT TO OATS REPORTABLE ORDER EVENTS ("ROE"). THE FIRM RE-SUBMITTED REPAIRED ROES THAT WERE PREVIOUSLY REJECTED WITHOUT MAKING THESE ROES WITH THE REJECTED ROE RESUBMIT FLAG "Y." IN ADDITION, THE FIRM SUBMITTED TO OATS REPORTS WITH RESPECT TO EQUITY SECURITIES TRADED ON THE NASDAQ STOCK MARKET (THE "SUBJECT REPORTS") THAT WERE NOT IN THE ELECTRONIC FORM PRESCRIBED BY NASD. THE SUBJECT REPORTS WERE REJECTED BY THE OATS SYSTEM AND NOTICE OF SUCH REJECTION WAS MADE AVAILABLE TO THE FIRM ON THE OATS WEBSITE. THE FIRM DID NOT CORRECT OR REPLACE THE SUBJECT REPORTS REPRESENTING 100 PERCENT OF ALL REJECTED ROES. THE FIRM TRANSMITTED TO OATS REPORTS FOR PREFERENCED SELECTNET ORDERS THAT THE FIRM WAS NOT REQUIRED TO SUBMIT. THE FIRM MADE AVAILABLE A REPORT ON THE COVERED ORDERS IN NATIONAL MARKET SYSTEM SECURITIES THAT IT RECEIVED FOR EXECUTION. THIS REPORT INCLUDED INCORRECT INFORMATION AS TO AT LEAST SIX SECURITY/SIZE/TYPE CATEGORIES. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING OATS. SPECIFICALLY, THE FIRM'S



SUPERVISORY SYSTEM DID NOT INCLUDE WRITTEN SUPERVISORY PROCEDURES PROVIDING FOR: (I) THE IDENTIFICATION OF THE PERSON(S) RESPONSIBLE FOR SUPERVISION WITH RESPECT TO THE APPLICABLE RULES; (II) A STATEMENT OF THE SUPERVISORY STEP(S) TO BE TAKE BY THE IDENTIFIED PERSON(S); (III) A STATEMENT AS TO HOW OFTEN SUCH PERSON(S) SHOULD TAKE SUCH STEP(S); AND (IV) A STATEMENT AS TO HOW THE COMPLETION OF THE STEP(S) INCLUDE IN THE WRITTEN SUPERVISORY PROCEDURES SHOULD BE DOCUMENTED.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 04/21/2003

Docket/Case Number: CMS030101

Principal Product Type: Other

Other Product Type(s): UNKNOWN TYPE OF SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/21/2003

Sanctions Ordered: Censure
Monetary/Fine \$22,500.00

Other Sanctions Ordered: UNDERTAKING.

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, RESPONDENT FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$22,500, AND REQUIRED TO UNDERTAKE TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING OATS WITHIN 30 BUSINESS DAYS.

Reporting Source: Firm

Current Status: Final

Allegations: IN CONNECTION WITH MRD200130890, MRD200233142 AND MRD200234090 ALLEGED OATS, SUPERVISORY AND 11AC1-5 VIOLATIONS.

Initiated By: NASD

Date Initiated: 04/25/2003



Docket/Case Number: AWC CMS030101

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/25/2003

Sanctions Ordered: Censure
Monetary/Fine \$22,500.00

Other Sanctions Ordered:

Sanction Details: THE FIRM CONSENTED TO THE IMPOSING OF A CENSURE, A FINE OF \$22,500(\$12,500 FOR THE OATS VIOLATIONS, \$5,000 FOR THE SUPERVISING VIOLATIONS AND \$5,000 FOR 11AC1-5 VIOLATIONS AND UNDERTAKING TO SUBMIT WITHIN 30 BUSINESS DAYS OF THE ACCEPTANCE OF THE AWC A DATED LETTER, SIGNED BY A FIRM PRINCIPAL REPRESENTING THAT THE WRITTEN SUPERVISORY PROCEDURES HAVEN BEEN UPDATED TO ADDRESS NOTED DEFICIENCIES CONCERNING OATS.

Summary: DOMESTIC SECURITIES, INC. ON OR ABOUT APRIL 25, 2003, THE FIRM WAS ADVISED THAT AWC CMS030101, WHICH HAD BEEN SUBMITTED TO THE ASSOCIATION FOR THE PURPOSE OF PROPOSING A SETTLED TO ALLEGED RULE VIOLATIONS, HAD BEEN ACCEPTED. WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO FINDINGS THAT: DURING APRIL 2001 THRU JUNE 30, 2001 22,149 OATS EXECUTION REPORTS WERE INCOMPLETE, INACCURATE OR IMPROPERLY FORMATTED; 105,274 OATS ROE'S WERE FILED LATE; 22,515 REPAIRED ROE'S WERE FILED WITHOUT THE REJECTED RESUBMIT FLAG; 18,456 OATS EXECUTION REPORTS CONTAINED INACCURATE TIME STAMPS; 63,981 NASDAQ EQUITY REPORTS WERE NOT FILED IN THE REQUIRED ELECTRONIC FORM THE REPORTS WERE REJECTED BUT WERE NOT CORRECTED ON TRADE DATES FEBRUARY 13 AND 14, 2002 THE FIRM TRANSMITTED 25 OATS REPORTS THAT CONTAINED INACCURATE INCOMPLETE OR IMPROPERLY FORMATTED DATA; ON TRADE DATES FEBRUARY 13 AND 14, 2002 THE FIRM TRANSMITTED 25 OATS REPORTS FOR PREFERENCED SELECTNET ORDERS THAT THE FIRM WASNT REQUIRED TO SUBMIT; THE FIRM'S WRITTEN SUPERVISORY PROCEDURES WERE INADEQUATE TO PROVIDE THE COMPLIANCE OATS REQUIREMENTS; DURING THE MONTH OF JANUARY, 2002, THE FIRM MADE



AVAILABLE A REPORT UNDER SEC RULE 11AC1-5, WHICH INCLUDED INCORRECT INFORMATION AS TO SIX SECURITY/SIZE/TYPE CATEGORIES. THE FIRM ALSO CONSENTED TO THE IMPOSING OF A CENSURE, A FINE OF \$22,500(\$12,500 FOR THE OATS VIOLATIONS, \$5,000 FOR THE SUPERVISING VIOLATIONS AND \$5,000 FOR 11AC1-5 VIOLATIONS; AND AN UNDERTAKING TO SUBMIT WITHIN 30 BUSINESS DAYS OF THE ACCEPTANCE OF THE AWC A DATED LETTER, SIGNED BY A FIRM PRINCIPAL REPRESENTING THAT THE WRITTEN SUPERVISORY PROCEDURES HAVE BEEN UPDATED TO ADDRESS NOTED DEFICIENCIES CONCERNING OATS.



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