

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012030679601**

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

RE: Nationwide Planning Associates Inc. (BD No. 31029)
Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Nationwide Planning Associates Inc. ("Nationwide" or the "Firm"), 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 Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. 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

Nationwide is based in Paramus, New Jersey and has been a FINRA member since February 1993. The Firm conducts a general securities business, has 25 registered branch offices and employs about 69 registered persons.

RELEVANT DISCIPLINARY HISTORY

Nationwide does not have any relevant disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities regulator.

OVERVIEW

From March 2010 through May 2012 (the "Relevant Period"), Nationwide issued advertising materials that contained unbalanced, exaggerated and misleading statements. In addition, the Firm failed to adequately perform and document

internal office inspections, failed to retain all business-related email, and failed to establish, maintain, and enforce an adequate supervisory system relating to the review of email. As a result, Nationwide violated NASD Conduct Rules 2210(d)(1)(A), 2210(d)(1)(B), 3010(a), 3010(c), 3010(d)(2), 3110(a) and 2110, and FINRA Rules 4511 and 2010 and Securities and Exchange Act of 1934 ("Exchange Act") Rule 17a-4.

FACTS AND VIOLATIVE CONDUCT

A. Advertising Violations

During the Relevant Period, NASD Conduct Rule 2210(d)(1)(A) stated:

All member communications with the public shall be based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service. No member may omit any material fact or qualification if the omission, in the light of the context of the material presented, would cause the communications to be misleading.

Also during the Relevant Period, NASD Conduct Rule 2210(d)(1)(B) stated:

No member may make any false, exaggerated, unwarranted or misleading statement or claim in any communication with the public. No member may publish, circulate or distribute any public communication that the member knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading.

Throughout the Relevant Period, certain advertisements and sales literature issued by the Firm contained unbalanced, exaggerated and misleading statements. For example, one Nationwide representative sent approximately 323 memoranda to Firm customers that outlined selected transactions in the customers' accounts and contained a projected annualized return with estimated profits for those transactions. The memoranda were misleading because they included certain stock transactions that had realized positive performance and omitted stock transactions that performed less favorably. Further, the memoranda did not include all applicable charges, fees and costs, or the potential tax implications of the transactions.

By virtue of the foregoing, Nationwide violated NASD Conduct Rules 2210(d)(1)(A) and 2210(d)(1)(B) and FINRA Rule 2010.

B. Branch Inspections

Under NASD Rule 3010(c), FINRA-registered firms are required to inspect at least annually every office of supervisory jurisdiction ("OSJ") and any branch

office that supervises one or more non-branch locations. In addition, FINRA-registered firms are required to inspect on a regular, periodic schedule every non-branch location. A written report of such office inspections, describing the testing and verification of compliance with firm procedures that was conducted, must be made and kept on file by the firm for a minimum of three years.

From January 2007 through December 2011, the Firm (i) failed to annually inspect two OSJ offices; (ii) failed to inspect, at least every three years, two non-supervisory branch offices; and (iii) failed to conduct regular, periodic inspections of approximately 12 non-branch locations. Additionally, the inspections that the Firm did conduct were deficient. There was insufficient documentation as to what was reviewed, how it was reviewed, and how the reviewer determined that there were no issues or concerns.

Based on the foregoing, Nationwide violated NASD Conduct Rules 3010(c) and 2110 (for conduct before December 15, 2008) and FINRA Rule 2010 (for conduct on or after December 15, 2008).

C. Email Violations

Rule 17a-4(b)(4) of the Exchange Act requires members to preserve, for a period of not less than three years, the first two years in an easily accessible place, electronic and other communications relating to their business as broker-dealers.

NASD Conduct Rule 3110(a) (in effect until December 4, 2011) provided that member firms shall make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws, rules, regulations, and statements of policy promulgated thereunder. In addition, FINRA Rule 4511 (effective December 5, 2011) similarly requires FINRA members to preserve books and records in conformity with the Exchange Act and applicable Exchange Act rules, as well as all applicable FINRA rules.

Moreover, NASD Conduct Rule 3010(a) requires members to establish and maintain a supervisory system that is reasonably designed to achieve compliance with applicable securities laws and regulations and NASD Conduct Rule 3010(d) requires members to establish procedures for the review of electronic correspondence of its registered representatives.

During the Relevant Period, Nationwide failed to retain all business-related emails sent to or from registered representatives. For example, the Firm was aware that several registered representatives used personal email accounts to send and receive business-related emails. However, the Firm failed to take steps to retain those business-related emails.

Additionally, the Firm failed to establish, maintain, and enforce an adequate supervisory system for the review of representatives' email. During the Relevant

Period, the Firm's procedures provided that the Firm would review *all* incoming and outgoing correspondence. However, the Firm only reviewed a sample of the emails sent to or from registered representatives. Moreover, the sample of emails reviewed by the Firm was insufficient. The Firm estimated that, during the Relevant Period, registered representatives sent and received approximately 30,000 emails per month, yet the Firm could only evidence the review of less than 500 emails per month. Further, while the Firm did flag certain emails for review based upon a lexicon search, that lexicon search only searched the email addresses and subject lines of representatives' emails, it did not search the body of any email.

By failing to retain all business-related emails and failing to establish, maintain, and enforce an adequate supervisory system relating to the review of email, Nationwide violated Exchange Act Rule 17a-4, NASD Conduct Rules 3010(a), 3010(d)(2) and 3110(a) (for conduct before December 5, 2011), and FINRA Rules 4511 (for conduct on or after December 5, 2011) and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure; and
- a fine of \$55,000.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. The Firm has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is 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

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

- A. To have a Complaint issued specifying the allegations against it;
- B. To be notified of the 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, Respondent specifically and voluntarily waives any right to claim bias or prejudice of the Chief Legal Officer, 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 FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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

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 FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313;
 - 4. 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 finding in this AWC or create the impression that the AWC is without factual basis. Respondent 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 Respondent's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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 FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has 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.

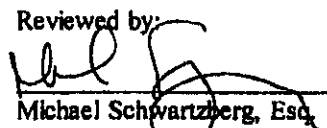
8/3/15
Date (mm/dd/yyyy)

Nationwide Planning Associates Inc.

By:


Michael J. Karalewich
Chief Executive Officer

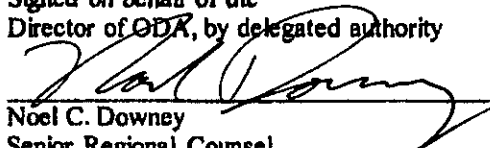
Reviewed by:


Michael Schwartzberg, Esq.
Counsel for Respondent
Winget, Spadafora & Schwartzberg, LLP
45 Broadway, 19th Floor
New York, New York 10006
(212) 221-6900

Accepted by FINRA:

8-7-15
Date

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


Noel C. Downey
Senior Regional Counsel
FINRA Department of Enforcement
581 Main Street - Room 710
Woodbridge, NJ 07095
732-596-2042 (telephone)
202-721-6548 (facsimile)