

**STATE OF NEW JERSEY
BUREAU OF SECURITIES
153 HALSEY STREET
P.O. BOX 47029
NEWARK, NEW JERSEY 07101
(973) 504-3600**

IN THE MATTER OF:

**Pruco Securities, LLC
(CRD NO. 5685)**

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**CONSENT ORDER OF
PENALTY ASSESSMENT**

Pursuant to the authority granted to the Chief of the New Jersey Bureau of Securities (“Bureau Chief”) by the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq. (“Securities Law”), and after investigation, review, and due consideration of the facts and statutory provisions set forth below, the Bureau Chief has determined that civil monetary penalties and other remedies be assessed against Pruco Securities, LLC (“Pruco”).

WHEREAS, the New Jersey Bureau of Securities (the “Bureau”) is the State agency with the responsibility to administer and enforce the Securities Law; and

WHEREAS, N.J.S.A. 49:3-67 authorizes the Bureau Chief from time to time to issue such Orders as are reasonably necessary to carry out the provisions of the Securities Law, upon a finding that the action is necessary and appropriate: (1) in the public interest, or (2) for the protection of investors, or (3) consistent with the purposes fairly intended by the policy and provisions of the Securities Law; and

WHEREAS, Pruco self-reported the violations as described in this Consent Order to the Bureau,

WHEREAS, the Bureau has conducted an investigation into certain activities occurring during the period of approximately late 2003 through June 2011 with the full cooperation of Pruco; and

WHEREAS, Pruco has voluntarily provided documentary evidence and other materials to the Bureau during such investigation; and

WHEREAS, Pruco and the Bureau Chief wish to resolve these issues without the expense and delay that formal administrative proceedings would involve; and

WHEREAS, Pruco agrees, among other things, to make certain restitution payments to affected customers, as described below; and

WHEREAS, Pruco has voluntarily made changes to certain operational and supervisory procedures and has cooperated with the Bureau in its investigation; and

WHEREAS, this Consent Order concludes the investigation by the Bureau Chief and any civil or administrative action that could be commenced, pursuant to the Securities Law, on behalf of the Bureau Chief, as it relates to seeking civil monetary penalties or other relief against Pruco for the conduct described herein.

FINDINGS OF FACT

The Bureau Chief makes the following findings of fact, which Pruco neither admits nor denies:

1. Pruco (CRD #5685) having its principal place of business located at 751 Broad Street, Newark, New Jersey, is a broker-dealer registered with the Bureau since July 14, 1983.

Improper Pricing

2. From late 2003 through June 2011 (the “Relevant Time Period”), Pruco’s COMMAND Operations staff, located in Woodbridge, NJ since 2004, utilized a process for handling certain mutual fund orders received via facsimile and mail (“paper orders”) that did not comply with Investment Company Act (“ICA”) Rule 22c-1.
3. ICA Rule 22c-1 requires, generally, that mutual fund trades be priced at the current net asset value of such security which is next computed after receipt of an order to purchase or sell such security. The net asset value calculation for a mutual fund occurs no less frequently than once daily and usually occurs at market close.
4. During the Relevant Time Period, COMMAND was pricing certain paper mutual fund orders on a day other than the date on which orders were received and complete prior to 4 p.m.
5. In 2003, certain changes were made to the processing of mutual fund orders to prevent late trading and market timing. An unintended consequence of these changes was that certain paper mutual fund orders received and complete by 4 p.m. but not processed by 4 p.m. did not receive the proper price when they were processed. Further, COMMAND staff mistakenly believed that, unlike customers who submitted telephonic orders, there was no expectation of a particular day’s price for mutual fund paper orders. Rather, COMMAND personnel understood that they could use their “best efforts” to process such paper orders that were either complete upon receipt or once a paper order became complete after receipt. COMMAND personnel misunderstood the requirements of ICA Rule 22c-1 as applied to the pricing of paper mutual fund orders. COMMAND personnel also believed that they had up to two days to process a paper order, and that a paper order

could be priced on the date it was processed, even though the complete order was received prior to that date.

6. During the relevant period, 45,856 of the 121,473 paper orders placed by New Jersey customers did not receive the price for the day on which the order was received at COMMAND. . Due to this pricing issue, on certain occasions, some customers received an inferior price on their orders and some customers received a better price.
7. This paper order mispricing issue was not discovered until approximately June 10, 2011, after an inquiry to COMMAND personnel regarding an order submitted via facsimile that had not been executed until the day after it was received at COMMAND as a complete order.
8. By failing to price paper orders in accordance with the requirements of ICA Rule 22c-1, Pruco violated FINRA Rule 2010 and NASD Rule 2110.

Failure to Supervise

9. During the Relevant Time Period, Pruco failed to have an adequate supervisory system in place to address the pricing of paper orders necessary to comply with the pricing requirements of ICA Rule 22c-1.
10. Specifically, Pruco's supervisory system in place was inadequate to ensure that customers submitting paper orders for mutual fund transactions received the correct price or to detect and prevent the mispricing of paper orders for mutual fund transactions.
11. Additionally, Pruco failed during the Relevant Time Period to have written procedures for the pricing of mutual fund orders, particularly orders received and complete before 4 p.m. on any particular trading day.

12. Pruco provided no training or training materials to its COMMAND Operations staff regarding the pricing requirements of ICA Rule 22c-1 with respect to paper orders.

Pruco Self Reporting, Corrective Actions and Remediation

13. The Bureau, in entering into this Consent Order and assessing appropriate sanctions, has considered that Pruco self-reported the mutual fund paper order issue, undertook an internal review, implemented changes to its policies and procedures, and commenced restitution to affected customers as described below.
14. Since this occurrence, Pruco, with the assistance of a third-party, reviewed paper orders from the Relevant Time Period to determine whether they were eligible for restitution.
15. Pruco instituted a restitution methodology in which each active affected customer account, and inactive customer accounts above a de minimis threshold, have received or will receive the best price for a single order or aggregated orders, as applicable, between the actual trade date price and the price for the two prior market days.
16. As of April 2, 2013, Pruco has provided restitution of \$585,628 to 1,508 active and inactive New Jersey accounts determined to be eligible for a remedy.

CONCLUSIONS OF LAW

Based upon the above findings of fact, the Bureau Chief makes the following conclusions of law, with which Pruco neither admits nor denies:

17. Pruco failed to price paper orders in accordance with the requirements of ICA Rule 22c-1, violating FINRA Rules 2010 and NASD Rule 2110, constituting a violation of N.J.S.A. 49:3-58(a)(1)(a)(2)(vii) and N.J.A.C. 13:47A-6.3(a)(28).

18. Pruco's conduct described above constitutes a failure to reasonably supervise its agents, pursuant to N.J.S.A. 49:3-58(a)(1) and N.J.S.A. 49:3-58(a)(2)(xi).

ORDER

On the basis of the Findings of Fact, Conclusions of Law, and Pruco's consent to the entry of this Consent Order, but without admitting or denying the findings of fact or conclusions of law contained herein,

It is on this 2ND day of MAY 2013, HEREBY ORDERED:

19. That Pruco is assessed and shall pay a civil monetary penalty in the amount of \$40,000 and costs in the amount of \$20,000. Additionally, Pruco shall pay \$40,000, which shall be placed in a fund to be used for the Bureau's Investor Education Program. The penalty, costs and investor education funds are due and payable upon entry of this Consent Order to "State of New Jersey, Bureau of Securities," 153 Halsey Street, 6th Floor, Newark, New Jersey 07102, or to be mailed to "Bureau of Securities," P.O. Box 47029, Newark, New Jersey 07101. The civil monetary penalty and costs payment shall be deposited in the Securities Enforcement Fund, pursuant to N.J.S.A. 49:3-66.1.
20. Pruco is ordered to pay restitution in the amount of up to \$125,000 to up to an additional 253 New Jersey active and inactive accounts whose eligibility for or amount of restitution had not been determined or where certain information was needed to effect restitution as of the date of this Consent Order.
21. Within ninety days of this order, Pruco shall notify the Bureau of the results of its efforts with respect to such active and inactive New Jersey accounts, and restitution amounts paid. Pruco shall use its abandoned property procedures with respect to any unpaid accounts, if best efforts to locate the customer are unsuccessful.

22. Pruco is ordered to implement a corrective plan, designed to strengthen the interface between the Pruco compliance function and COMMAND operations.
- a. Pruco is to ensure that its risk-based monitoring tools for COMMAND functions used by Compliance or otherwise are reasonably sufficient to prevent a recurrence of the violations cited herein.
 - b. Pruco is to reasonably ensure ongoing communication, understanding and execution of COMMAND Compliance job responsibilities.
 - c. Pruco is to reasonably ensure ongoing appropriate training for COMMAND Compliance staff.
23. Pruco is to complete a business rule and process review to identify and document compliance rules, procedures and improvement opportunities for COMMAND.
24. Unless otherwise agreed to by the Bureau Chief, Pruco has an ongoing obligation to update the Bureau every one hundred eighty (180) days from the effective date of the Consent Order as to the status of providing restitution to active and inactive accounts pursuant to paragraph 20 of this Consent Order.

GENERAL PROVISIONS

25. Pursuant to N.J.A.C. 1:1-19.1(d), this Consent Order shall be deemed the final decision as to Pruco.
26. Pruco agrees that solely for the purpose of this matter or future proceedings to enforce this Consent Order, that this Consent Order shall have the same effect as if proven and ordered after a full hearing pursuant to N.J.S.A. 52:14B-1 et seq.

NEW JERSEY BUREAU OF SECURITIES

By: Abbe R. Tiger
Abbe R. Tiger
Chief, Bureau of Securities

PRUCO SECURITIES, LLC

By: John A. Gordon
Name: John A. Gordon
Title: President

DATED:

05/01/2013