

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. ##
20041000051-01

TO: Department of Market Regulation
NASD

RE: SG Americas Securities, LLC, Respondent
CRD No. 128351

Pursuant to Rule 9216 of NASD Code of Procedure, Broker-Dealer, Inc., SG Americas Securities, LLC ("SGAS" 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 in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against SGAS alleging violations based on the same factual findings.

SGAS understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Market Regulation and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against SGAS; and
3. If accepted:
 - a. this AWC will become part of SGAS's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against SGAS;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about SGAS's disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. SGAS 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. Nothing in this provision affects SGAS's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

SGAS also understands that its experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

SGAS has been a member of NASD since April 2004, and its registration remains in effect. It has no relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

SGAS specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, SGAS specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

SGAS further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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.

II.

ACCEPTANCE AND CONSENT

This matter arose out of a review conducted by the staff of the Market Regulation Department of NASD (the "staff") for the period June 8, 2004 through December 31, 2004 (the "review period") of the firm's compliance with NASD Conduct Rule 3370.

- A. SGAS 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 NASD, or to which NASD 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 NASD:
 - 1. During the review period, the firm effected 540 short sales in certain securities for the firm's proprietary account and failed to make/annotate an affirmative determination that the firm could borrow the securities or otherwise provide for delivery of the securities by settlement date.
 - 2. The conduct described in paragraph one constitutes separate and distinct violations of NASD Conduct Rule 3370.
- B. SGAS also consents to the imposition, at a maximum, of the following sanctions:
 - 1. A censure; and
 - 2. A fine of \$10,000.

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

III.

OTHER MATTERS

- A. SGAS understands that it may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. SGAS 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 NASD, nor does it reflect the views of NASD or its staff.
- B. SGAS agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and

payable, and has attached an Election of Payment form showing the method by which the firm proposes to pay any fine imposed.

- C. SGAS specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

SGAS certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce SGAS to submit it.

SG Americas Securities, LLC
Respondent

November 1, 2006

Date

By: 

Name: John M. Driscoll

Title: Deputy Dir. Litigation & Reg. Affairs

Reviewed by:

N/A
Counsel for Respondent

Accepted by NASD:

12/22/06
Date


Cameron Funkhouser
Senior Vice President
Department of Market Regulation

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

**Corrective Action Statement
of SG Americas Securities, LLC ("SGAS"), CRD No. 128351,
in Connection with NASD Letter of Acceptance, Waiver and Consent
Signed by SGAS on November 1, 2006**

This corrective action statement is submitted by the Respondent, SGAS. It does not constitute a factual finding by the NASD, nor does it reflect the views of the NASD, or its Staff.

As described in prior submissions to the Staff, the trades at issue were effected through an automated trading strategy utilized by one trader at the Firm. In order to promptly address the issues raised by the Staff's inquiries, the trader responsible for the strategy made certain programming changes to strengthen the pre-trade controls concerning affirmative determinations in the case of short sale activity. Thereafter, as part of a more comprehensive initiative, SGAS undertook and deployed electronic functionality designed to help ensure compliance with affirmative determination requirements and the process by which affirmative determinations are documented.