

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20042000016-01

TO: Department of Market Regulation
NASD

RE: **ViewTrade Securities, Inc.**, Respondent
Broker-Dealer
CRD No. 46987

Pursuant to Rule 9216 of NASD Code of Procedure, ViewTrade Securities, Inc. (the "firm" or "VIEW") 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 VIEW alleging violations based on the same factual findings.

VIEW 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 VIEW; and
3. If accepted:
 - a. this AWC will become part of VIEW's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against VIEW;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about VIEW'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. VIEW 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 allegation in this AWC or

create the impression that the AWC is without factual basis. Nothing in this provision affects VIEW's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

VIEW 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:

The firm has been a member of NASD since November 19, 1999 and its registration remains in effect. On October 15, 2004, an AWC became final in which VIEW was censured and fined \$15,000 for violations of NASD Conduct Rule 2110 and NASD Marketplace Rule 6620.

On March 19, 2004, an AWC became final in which VIEW was censured and fined \$9,500 for violations of NASD Marketplace Rule 6130(d), and NASD Conduct Rules 2110 and 3010.

On September 26, 2003, an AWC became final in which VIEW was censured and fined \$7,500 for violations of NASD Marketplace Rule 6955(a), and NASD Conduct Rules 2110 and 3010. The firm also agreed to an undertaking to revise the firm's written supervisory procedures regarding compliance with the rules governing the Order Audit Trail System ("OATS").

On January 2, 2003, an AWC became final in which VIEW was censured and fined \$10,000 for violations of NASD Marketplace Rules 4632(a)(9), 4642(a)(9) and 6620, and NASD Conduct Rule 2110.

On May 24, 2002, an AWC became final in which VIEW was censured and fined \$7,500 for violations of SEC Rule 11Ac1-1, NASD Conduct Rule 3320, NASD Marketplace Rule 4613(b), and NASD Conduct Rules 2110 and 3010. The firm also agreed to an undertaking to revise the firm's written supervisory procedures regarding compliance with the firm quote rules.

I.

WAIVER OF PROCEDURAL RIGHTS

VIEW 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 it;
- 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, VIEW specifically and voluntarily waives any right to claim bias or prejudice 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.

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

In MRD200235954/20042000016,¹ the staff of NASD's Department of Market Regulation ("staff") reviewed VIEW's compliance with the Limit Order Display Rule ("Display Rule") during the period January 2, 2002 through March 31, 2002.

In MRD200340509/20042000075, staff reviewed VIEW's compliance with the OATS rules during the period January 1, 2003 through March 31, 2003.

¹ On January 3, 2005, the NASD implemented a new matter tracking system. The new number assigned to this matter is referenced, following the original numbers assigned by the previous tracking system.

In MRD200444571/20042000209, staff conducted a Trading and Market Making Surveillance ("TMMS") Examination of the firm. The staff reviewed the following items:²

- 30 customer transactions and 19 proprietary transactions reviewed for compliance with NASD Rules 3110, 3350, 3370 and 6130;
- 55 limit orders reviewed for compliance with NASD Rules 2110, IM-2110-2, 6440, and 6541;
- 25 limit orders that were reviewed for compliance with NASD Rule 2320;
- 50 orders reviewed for compliance with NASD Rules 4632, 4642, 6620 and 6130;
- 50 orders handled by the firm reviewed for compliance with SEC Rule 11Ac1-5;
- Report on routing of customer orders reviewed for compliance with SEC Rule 11Ac1-6;
- Written supervisory procedures reviewed for compliance with NASD Rule 3010; and
- Registration of trading area personnel reviewed for compliance with NASD Rules 1021 and 1031.

A. VIEW hereby accepts and consents, without admitting or denying the allegations or 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:

MRD200235954/20042000016 – Limit Order Display Review

1. On 69 occasions during the period of January 2, 2002 through March 31, 2002, prior to the introduction of SuperMontage by the Nasdaq Stock Market, VIEW failed to display immediately 69 customer limit orders in Nasdaq securities in its public quotation, when each such order was at a price that would have improved VIEW's bid or offer in each such security; or when the order was priced equal to VIEW'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 VIEW's bid or offer in each such security.
2. The conduct described in paragraph one constitutes separate and distinct violations of SEC Rule 11Ac1-4.

² Unless otherwise noted, all items reviewed are from trade dates January 21 and 22, 2004, except for 1) the December 2003 reports (and trades contained therein) made in compliance with SEC Rules 11Ac1-5 and 11Ac1-6, respectively, and 2) the supervisory items, where the staff reviewed the written supervisory procedures in effect in January 2004.

3. VIEW's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations concerning the Display Rule. Specifically, the firm utilized an automated system to ensure compliance with the Display Rule. However, the firm allowed its traders to routinely engage in the practice of excluding customer limit orders from the automated compliance feature of its trading system. The firm knew, or should have known, that this practice could result in violations of the Display Rule, but did not establish a supervisory system to ensure orders exempted from its automated compliance system were immediately displayed. Further, the firm's supervisory system relied, in great part, on an automated report generated by its automated trading system that the firm knew, or should have known, was not functioning as intended. Consequently, violations of the Display Rule went undetected.
4. The conduct described in paragraph three constitutes a violation of NASD Conduct Rules 2110 and 3010.

MRD200340509/20042000075 – OATS Review

5. VIEW failed to timely report to OATS 30,524 Reportable Order Events ("ROEs"). These late ROEs represented 22 percent of all ROEs (137,628) submitted by VIEW to OATS during the period of January 1, 2003 through March 31, 2003.
6. During the period of January 1, 2003 through March 31, 2003, VIEW submitted to OATS 412 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 and were repairable. The subject reports were rejected by the OATS system and notice of such rejection was made available to the firm on the OATS website. VIEW did not correct or replace 100 percent of the subject reports.
7. The conduct described in paragraphs five and six above constitutes separate and distinct violations of NASD Marketplace Rule 6955(a) and a violation of NASD Conduct Rule 2110.

MRD200444571/20042000209 – 2004 TMMS Review

8. In two transactions for or with a customer, VIEW 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, as reflected on Exhibit A, which is attached hereto and incorporated herein by reference.

9. The conduct described in paragraph eight constitutes separate and distinct violations of NASD Conduct Rules 2110 and 2320.
10. VIEW failed to report through the Automated Confirmation Transaction Service ("ACT") (now known as the Nasdaq Market Center) 14 last sale reports of transactions in Nasdaq securities executed during normal market hours.
11. The conduct described in paragraph 10 constitutes separate and distinct violations of NASD Marketplace Rule 5430(b).
12. VIEW failed to report to ACT the correct symbol indicating whether the transaction was a buy, sell, sell short, sell short exempt or cross for five transactions in eligible securities.
13. VIEW failed to report to ACT the correct symbol indicating whether VIEW executed 17 transactions in eligible securities in a principal, riskless principal or agency capacity.
14. VIEW failed to ensure that its clearing firm properly coded and delivered orders into its trading system resulting in VIEW's failure to report to ACT the contra side executing broker in three transactions in eligible securities.
15. The conduct described in paragraphs 12 through 14 constitutes separate and distinct violations of NASD Marketplace Rule 6130(d).
16. On two occasions, VIEW failed to contemporaneously or partially execute two customer limit orders in over-the-counter transactions in listed 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, as reflected on Exhibit B, which is attached hereto and incorporated herein by reference.
17. The conduct described in paragraph 16 constitutes separate and distinct violations of NASD Marketplace Rule 6440(f).
18. On one occasion, VIEW failed to contemporaneously or partially execute a customer limit order in an over-the-counter transaction in a security quoted on the OTC Bulletin Board after it traded each subject security for its own market-making account at a price that would have satisfied each customer's limit order, as reflected on Exhibit B, which is attached hereto and incorporated herein by reference.
19. The conduct described in paragraph 18 constitutes a violation of NASD Marketplace Rule 6541.

20. VIEW transmitted to OATS six reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, in one instance, a report contained an inaccurate reporting exception code; in one instance, a report failed to include a route report; and in four instances, VIEW's routed order identifier failed to match the routed order identifier of the routing broker-dealer. These inaccurate and/or incomplete reports represented 12 percent of the sample reviewed during the TMMS Examination.
21. The conduct described in paragraph 20 above constitutes separate and distinct violations of NASD Marketplace Rule 6955(a) and a violation of Conduct Rule 2110.
22. VIEW published a report on its routing of non-directed orders in covered securities for the quarter ended December 31, 2003. In the report, VIEW failed to discuss material aspects of its relationship with other venues, including a description of any arrangement for payment for order flow and any profit-sharing relationship.
23. The conduct described in paragraph 22 constitutes a violation of SEC Rule 11Ac1-6(b).
24. *VIEW failed to notify customers in writing at least annually of the availability on request of the information on order routing.*
25. The conduct described in paragraph 24 constitutes a violation of SEC Rule 11Ac1-6(c).
26. 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 11Ac1-6, best execution, anti-intimidation/coordination, trade reporting, locking or crossing the market, affirmative determination, bid test and tick test. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and/or (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.
27. The conduct described in paragraph 26 constitutes a violation of NASD Conduct Rules 2110 and 3010.

- B. VIEW also consents to the imposition, at a maximum, of the following sanctions:

A **censure, a fine of \$62,500** (consisting of \$10,000 for limit order display and \$7,500 for supervision in MRD200235954; \$5,000 for OATS in MRD200340509; and \$5,000 for best execution; \$10,000 for trade reporting; \$7,500 for trading ahead; \$5,000 for OATS; \$5,000 for 11Ac1-6; and \$7,500 for supervision in MRD200444571); restitution of \$197, plus interest as calculated below; and an undertaking to revise the firm's supervisory procedures with respect to the deficiencies described in paragraph II. A. 3. Within 60 business days of acceptance of this AWC by the NAC, a registered principal of the firm shall submit to the **Compliance Assistant, Legal Section, Market Regulation Department, 9509 Key West Avenue, Rockville, MD 20850**, a signed, dated letter, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its supervisory procedures to address the deficiencies described in paragraph II. A. 3; and (3) the date the revised procedures were implemented.

Restitution shall be paid by Respondent to the parties involved in the transactions described on Exhibit A (the "Recipients") in the total amount of \$197, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this AWC is accepted by the NAC. No later than 120 days after acceptance of this AWC by the NAC, a registered principal of the firm shall submit to the **Compliance Assistant, Legal Section, Market Regulation Department, 9509 Key West Avenue, Rockville, MD 20850**:

- (1) A schedule showing (a) the amount of restitution paid to each Recipient, (b) the amount of interest paid to each Recipient, (c) the date restitution and interest was paid, and (d) any amounts paid to escheat, unclaimed-property or abandoned-property funds; and
- (2) Satisfactory proof of payment as detailed in (1), and of reasonable and documented efforts undertaken to effect restitution prior to making payments to escheat, unclaimed-property or abandoned-property funds.

If for any reason, Respondent cannot locate any Recipient after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer last resided.

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

III.

OTHER MATTERS

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

VIEW certifies that it has read and understands all of the provisions of this AWC and have 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 VIEW to submit it.

Date: 11/8/05

ViewTrade Securities, Inc.

By: Robert J. Dombrowski

Name: ROBERT J. DOMBROWSKI

Title: MANAGING Director, President

Reviewed by:

Amy M. Hess
Counsel for Respondent

Accepted by NASD:

12/22/05
Date

Thomas R. Gira
Thomas R. Gira
Executive Vice President and Deputy
Department of Market Regulation

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

Item No.	Trade Date	Issue Symbol	Execution Time	Buy or Sell Order	Volume	Price	Price Customer should have received	Restitution Calculation	Restitution Amount
1	1/22/2004	EAG	9:43:44	B	5,000	1.98	\$1.95	$$.03 \times 5000$	\$150
2	1/22/2004	PLKC	13:18:57	S	16,977	0.062	15,000 sh. @ \$0.065 plus 1,977 sh. @ \$0.063	$$.003 \times 15,000$ plus $$.001 \times 1,977$	\$47

**Total
Restitution:** \$197

Marketplace Rule 6440(f): Transactions in Listed Securities ("CQS") for Trade Date 1/22/04

Item No.	Issue	Cust. Buy or Sell	Receipt Time of Customer Limit Order	Customer Limit Order	Firm Trade Times	Firm Total Trade Size	Firm Trade Price	Customer Execution Time	Customer Execution	Customer trade contemporaneous/ within 60 seconds of Firm trade?
1	EAG	B	8:43:38	11,000 sh. at \$1.98	9:39:10 - 9:39:51	5,000 sh.	\$1.95	9:43:44	11,000 sh. at \$1.98	No
2	LU	B	9:02:31	20,000 sh. at \$4.01	10:11:29- 10:11:35	6,000 sh	\$4.01	10:12:40	20,000 sh. at \$4.01	No

Marketplace Rule 6541: Transactions in OTCBB Securities for Trade Dates 1/21/04 and 1/22/04

Item No.	Issue	Cust. Buy or Sell	Receipt Time of Customer Limit Order	Customer Limit Order	Firm Trade Time	Firm Total Trade Size	Firm Trade Price	Customer Execution Time	Customer Execution	Customer trade contemporaneous/ within 5 minutes of Firm trade?
1	DYMTY	B	10:41:19 on 1/21/04	1,050 sh. at \$0.52	11:56:52 on 1/21/04	2,220	\$0.521	9:37:52 on 1/22/04	1,050 sh. at \$0.52	No