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**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

NO. ***20050001668-02

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REGISTRATION & DISCLOSURE

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

RE: KBC Financial Products USA, Inc., Respondent
Broker-Dealer
CRD No. 46709

Pursuant to NASD Rule 9216 of the FINRA Code of Procedure, Respondent KBC Financial Products USA, Inc. ("KBFP" 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**

In connection with matter 20050001668, the staff of the Department of Market Regulation of FINRA (the "staff") conducted a review of the firm's reporting of transactions to the Trade Reporting And Compliance Engine ("TRACE") during the period December 1, 2002 through June 30, 2004 (the "review period") for compliance with the rules and regulations relating to corporate bond trade reporting. The staff also reviewed the firm's written supervisory procedures and supervisory system with respect to such reporting.

- A. The firm 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

KBFP has been a member of FINRA since September of 1999, and its registration remains in effect. The firm does not have any relevant prior disciplinary history.

FACTS AND VIOLATIVE CONDUCT

1. During the review period, the firm failed to report to TRACE the correct execution time for 11 transactions in TRACE-eligible securities, failed to report the correct terms of the transaction for three transactions, and submitted six incorrect reports to TRACE that were not canceled or corrected. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6230(c).
2. During the review period, the firm reported to TRACE 910 transactions in TRACE-eligible securities that it was not required to report because the transactions were executed outside the United States by the firm's foreign affiliate. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6230(e).
3. During the review period, the firm failed to enforce its written supervisory procedures relating to TRACE reporting, which specified that the firm's "Desk Supervisor (or his designee)" must "review the daily trading records," in part to ensure that corporate bond trades "executed and cleared outside the United States" by a foreign affiliate of KBFP would "not be reported in the United States by [KBFP]." The conduct described in this paragraph constitutes a violation of NASD Conduct Rules 2110 and 3010.

B. The firm also consents to the imposition of the following sanctions:

A censure and a fine of \$25,000 (comprised of \$15,000 for the firm's TRACE-reporting violations and \$10,000 for the firm's supervisory violations).

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

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. The firm has submitted an Election of Payment form showing the method by which it proposes to pay the fines imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

II.**WAIVER OF PROCEDURAL RIGHTS**

The firm specifically and voluntarily waives the following rights granted under FINRA'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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm 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.

The firm 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.

III.**OTHER MATTERS**

The firm 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 NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. This AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. This AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary records;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
 - 4. The firm 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. The firm 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 the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm 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 firm 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; that it has agreed to the AWC's 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.

June 4, 2008

Date

Respondent

KBC Financial Products USA, Inc.

By: 

Name: Andrew Dominus

Title: General Counsel

Reviewed by:

Paul R. Eckert/SV

Counsel for KBC Financial Products USA, Inc.

Paul R. Eckert, Esq.

Wilmer Cutler Pickering Hale and Dorr LLP

1875 Pennsylvania Avenue, NW

Washington, DC 20006

(202) 663-6537

Accepted by FINRA:

June 26, 2008

Date

Signed on behalf of the

Director of ODA, by delegated authority

Richard Wallace

~~Thomas R. Gira~~ Richard Wallace

~~Executive Vice President~~

Department of Market Regulation