

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT

20050001803-01

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TO: **Department of Market Regulation**
NASD

NASD REGULATION, INC.
MARKET REGULATION

RE: **Gilford Securities Incorporated, Respondent**
Broker-Dealer
CRD No. 8076

Pursuant to Rule 9216 of NASD Code of Procedure, Gilford Securities Incorporated ("RGIL" 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 RGIL alleging violations based on the same factual findings.

RGIL 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, 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 RGIL; and
3. If accepted:
 - a. this AWC will become part of RGIL's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against RGIL;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about RGIL'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. RGIL 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 RGIL's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

RGIL 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:

Gilford Securities Incorporated entered the securities industry on January 3, 1980 as a member of NASD and its registration remains in effect. The firm has no prior relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

RGIL 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 RGIL;
- 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, RGIL 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.

RGIL 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

In connection with 20050001803 (formerly MRD200446488), the staff of NASD's Department of Market Regulation (the "staff") conducted a review of RGIL's compliance with the rules applicable to the Trade Reporting and Compliance Engine ("TRACE") during the period of January 1, 2004 through March 31, 2004.

- A. RGIL 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. RGIL failed to report to TRACE 567 transactions in TRACE-eligible securities that it was required to report during the period of July 1, 2002 through March 31, 2004.
 2. The conduct described in paragraph one constitutes separate and distinct violations of NASD Marketplace Rule 6230(b).
 3. RGIL failed to report to TRACE the lower of yield to call or yield to maturity for 23 transactions in TRACE-eligible securities during the period of January 1, 2004 through March 31, 2004.
 4. The conduct described in paragraph three constitutes separate and distinct violations of NASD Marketplace Rule 6230(c)(13).
 5. RGIL, on 23 occasions when it acted as principal for its own account, failed to provide written notification disclosing to its customer the yield at which the transaction was effected during the period of January 1, 2004 through March 31, 2004.
 6. The conduct described in paragraph five above constitutes separate and distinct violations of SEC Rule 10b-10.

7. 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 TRACE reporting. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) a statement as to how often such person(s) should take the supervisory step(s) and (2) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.
8. The conduct described in paragraph seven constitutes a violation of NASD Conduct Rules 2110 and 3010.

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

A censure, a fine of \$30,000 (consisting of \$15,000 fine for the TRACE reporting violations, a \$7,500 fine for the SEC Rule 10b-10 violations and a \$7,500 fine for the supervision violations) and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph seven.

Within 30 business days of acceptance of this AWC by the NAC, a registered principal of the Respondent 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 written supervisory procedures to address the deficiencies described in paragraph seven; and, (3) the date the revised procedures were implemented.

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

Accepted by NASD:

9/15/06
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

III.

OTHER MATTERS

- A. RGIL understands that RGIL may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. RGIL understands that RGIL 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. RGIL agrees to pay any monetary sanctions imposed on RGIL 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 RGIL proposes to pay any fine imposed.
- C. RGIL specifically and voluntarily waives any right to claim that RGIL is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter

Gilford Securities Incorporated certifies that Gilford Securities Incorporated 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 Gilford Securities Incorporated to submit it.

8/8/06
Date

Respondent,
Gilford Securities Incorporated

By: Richard W. Granahan

Name: _____
Title: **RICHARD W. GRANAHAN**
COMPLIANCE DIRECTOR
(212) 940-9285
1-800-232-2118

Reviewed by:

Counsel for Respondent

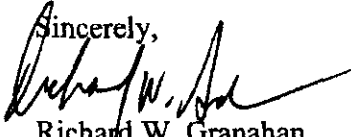


MEMBER NASD/SIPC/MSRB

Corrective Action Statement
Re: MRD200446488/20050001803

This Corrective Action Statement is submitted by the Respondent, Gilford Securities Inc. It does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD, or its staff.

This problem arose because the bond trader in our Irvine Office did not correctly report a number of corporate bond transactions to Trace. Trades were reported as proprietary trades with commission instead of reporting the proprietary side and the customer side separately. Our reporting procedures have since been changed. Most corporate bond transactions are now executed by our New York Trading Desk, which immediately inputs the trade data into our clearing firm's computer system for booking and Trace reporting purposes. For the occasional trade executed by our Irvine Desk, the trade facts are immediately faxed to the NY desk for inputting to the system. The transactions reported to Trace by our clearing firm's system are monitored daily to ensure accuracy of the reports.

Sincerely,

Richard W. Granahan
Compliance Director
August 8, 2006