

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
20050003130-01

TO: Department of Market Regulation
NASD

RE: Hold Brothers On-Line Investment Services, LLC, Respondent
CRD# 36816

Pursuant to Rule 9216 of NASD Code of Procedure, Hold Brothers On-Line Investment Services, LLC ("ONLI" 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 ONLI alleging violations based on the same factual findings.

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

ONLI 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:

ONLI has been a member of NASD since December 1994, and the firm's registration remains in effect. ONLI's relevant disciplinary history is as follows:

- In an AWC that became final on August 21, 2003, ONLI was censured and fined \$40,000 (consisting of, in relevant part, a \$5,000 fine for violating NASD Marketplace Rule 6955(a) and a \$7,500 fine for violating NASD Conduct Rules 2110 and 3010 relating to OATS and short sales).
- In an AWC that became final on June 3, 2005, ONLI was censured and fined \$16,500 (consisting of a \$6,500 fine for violating NASD Marketplace Rule 6955(a) and a \$10,000 fine for violating NASD Conduct Rules 2110 and 3010 relating to OATS).

I.

WAIVER OF PROCEDURAL RIGHTS

ONLI 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 ONLI;
- 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, ONLI 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.

ONLI 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

The staff of NASD's Department of Market Regulation ("the staff") conducted a review of ONLI's compliance with NASD's Order Audit Trail System ("OATS") rules during five review periods between the fourth quarter 2003 through the second quarter 2005.

A. ONLI 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 period of April 1, 2004 through June 30, 2004 (the "first review period"), ONLI transmitted to OATS 173,888 Combined Order/Route Reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports failed to include the User Order ID. Therefore the reports were unable to match to a related order in SuperMontage. These inaccurate and/or incomplete reports represented 100 percent of all Combined Order/Route Reports transmitted by the firm during the first review period.
2. During the period of October 1, 2004 through December 31, 2004 (the "second review period"), ONLI failed to timely report to OATS 115,399 Reportable Order Events ("ROEs"). These late ROEs represented eight percent of all ROEs (1,375,665) submitted by ONLI to OATS during the second review period.
3. During the period of October 1, 2003 through September 30, 2004 (the "third review period"), ONLI transmitted to OATS 29,744 Combined Order/Route Reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports failed to contain Order IDs and contained inaccurate MPIDs. Therefore the reports were unable to match to the receiving firm's related New Order Report. These inaccurate and/or incomplete reports represented 100 percent of all Combined Order/Route Reports transmitted by the firm during the third review period.

4. During the period of January 1, 2005 through March 31, 2005 (the "fourth review period"), ONLI transmitted to OATS 72,494 Route or Combined Order/Route Reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports failed to contain User Order Ids and contained inaccurate MPIDs. Therefore the reports were unable to match to the related order in SuperMontage. These inaccurate and/or incomplete reports represented 100 percent of all Route or Combined Order/Route Reports transmitted by the firm during the fourth review period.
 5. During the period of April 1, 2005 through June 30, 2005 (the "fifth review period"), ONLI transmitted to OATS 393,179 Route or Combined Order/Route Reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports the reports failed to contain User Order Ids and contained inaccurate MPIDs. Therefore the reports were unable to match to the receiving firm's related New Order Report. These inaccurate and/or incomplete reports represented 86 percent of all Route or Combined Order/Route Reports (456,103) transmitted by the firm during the fifth review period.
 5. The conduct described in paragraphs one through five above constitutes separate and distinct violations of NASD Marketplace Rule 6955(a).
 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 OATS. 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 (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.
 3. The conduct described in paragraph seven constitutes a violation of NASD Conduct Rules 2110 and 3010.
- B. ONLI also consents to the imposition, at a maximum, of the following sanctions:

A censure, a fine of \$50,000 (consisting of a \$30,000 fine for the OATS violations and \$20,000 for the supervision violation), and an undertaking to revise the firm's written supervisory procedures with respect to the area 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.

III.

OTHER MATTERS

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

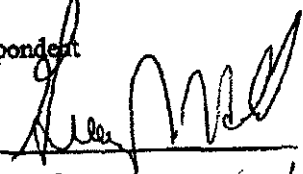
Hold Brothers On-Line Investment Services, LLC certifies that ONLI has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been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

5/24/06

Date

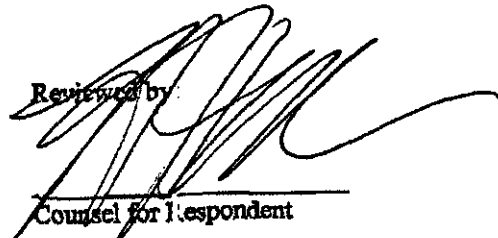
Hold Brothers On-Line
Investment Services, LLC

Respondent

By: 

Name: Gregory Hold

Title: Chief Executive Officer

Reviewed by: 

Counsel for Respondent

Accepted by NASD:

7/20/06
Date


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

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