

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT

20050003239

TO: Department of Market Regulation
NASD

RE: Commerce Capital Markets, Inc. - Respondent
Broker Dealer
CRD No. 6940

Pursuant to Rule 9216 of the NASD Code of Procedure, Commerce Capital Markets, Inc. ("the firm" or "CCMI") 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 CCMI alleging violations based on the same factual findings.

The firm 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 the firm; and
3. If accepted:
 - a. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against the firm;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about the firm'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. 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. Nothing in this provision affects the firm's testimonial

obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

The firm 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:

Commerce has been a member of NASD since December 5, 1976.

On December 22, 2005, an AWC was accepted by NASD in which CCMI was censured and fined \$600,000 in part for failure to establish and maintain a supervisory system and procedures reasonably designed to ensure compliance with MSRB Rule G-37.

I.

WAIVER OF PROCEDURAL RIGHTS

CCMI 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, CCMI 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.

CCMI 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

- A. CCMI 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. In July 2004, CCMI's supervisory system did not provide for sufficient supervision reasonably designed to achieve compliance with the applicable securities laws and regulations, specifically MSRB Rule G-17, requiring that in the conduct of its municipal securities activities a firm's brokers and dealers shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice, such as parking securities. Specifically, CCMI's supervisory system did not require the firm's operations manager and risk manager to notify supervisors of "red flags" of a trader's aiding and abetting an apparent bond-parking transaction when they discovered a potential significant discrepancy between the price paid by the firm for a bond and its actual value and when they learned that the contra party to the bond transaction repeatedly declined to accept the sale of the bond as transacted by the firm's trader.
 2. In July 2004, CCMI's supervisory system did not include sufficient written supervisory procedures providing for: (a) identification of person(s) responsible for supervision with respect to compliance with MSRB Rule G-17; (b) a statement of the supervisory step(s) to be taken by the identified person(s); (c) a statement as to how often such person(s) should take such step(s); and (d) a statement as to how completion of the step(s) included in the written supervisory procedures should be documented.
 3. The conduct described in paragraph one and two constitutes separate and distinct violations of MSRB Rule G-27.
- B. The firm also consents to the imposition, at a maximum, of the following sanctions:

A censure and fine of \$75,000 (\$50,000 for failure to supervise and \$25,000 for deficient written supervisory procedures) and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph II.A.2. The revised procedures should be submitted to the staff within 30 business days of

acceptance of this AWC by the NAC. Although the staff may review the revised procedures, said review shall in no way constitute an approval of the revised procedures. The failure of the staff to alert Respondent to any deficiencies in the revised procedures shall not preclude the staff from instituting a subsequent disciplinary action as a result of deficiencies in the revised procedures.

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

III.

OTHER MATTERS

- A. CCMI 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. CCMI 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. CCMI 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 CCMI proposes to pay any fine imposed.
- C. CCMI 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.

CCMI 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 CCMI to submit it.

Respondent,
Commerce Capital Markets, Inc.

By:

Name: Stan GREGOR 

Title: CEO

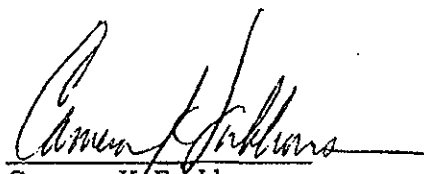
Reviewed by:


Counsel for Respondent

Accepted by NASD:

1/24/07

Date



Cameron K. Funkhouser
Senior Vice President
Market Regulation Department

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