

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
20050014023-01

TO: Market Regulation Department
NASD

RE: Royal Alliance Associates, Inc.
Broker-Dealer
CRD No. 23131

Pursuant to Rule 9216 of NASD Code of Procedure, Royal Alliance Associates, Inc. ("ROYL") 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 ROYL alleging violations based on the same factual findings.

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

litigation or other legal proceedings in which NASD is not a party.

ROYL 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:

ROYL has been a member of NASD since July 10, 1989 and its registration remains effective. ROYL does not have any relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

ROYL 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 ROYL;
- 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, ROYL 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.

ROYL 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 20050014023, the staff of NASD's Department of Market Regulation (the "staff") conducted a review of ROYL's compliance with trade reporting rules for the Trade Reporting and Compliance Engine ("TRACE") during the period of January 1, 2005 through March 31, 2005 (the "review period").

- A. ROYL 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. ROYL failed to report to TRACE 616 transactions in TRACE-eligible securities executed on a business day during TRACE system hours within 30 minutes of the time of execution. These late transactions constituted 61% of all transactions in TRACE-eligible securities that ROYL was required to report to TRACE during the review period.
 2. The conduct described in paragraph one constitutes separate and distinct violations of NASD Marketplace Rule 6230(a) and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Conduct Rule 2110.
 3. 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. 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 TRACE; (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.
 4. The conduct described in paragraph three constitutes a violation of NASD Conduct Rules 2110 and 3010.
- B. ROYL also consents to the imposition, at a maximum, of the following sanctions:
- A censure and a fine of \$20,000 (consisting of a \$15,000 fine for the TRACE violations and a \$5,000 fine for the supervisory violations), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph II A. three. Within 30 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 written supervisory procedures to address the deficiencies described in paragraph II.A. three; 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. ROYL 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. ROYL 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. ROYL agrees to pay any monetary sanctions imposed on ROYL 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 ROYL proposes to pay any fine imposed.
- C. ROYL specifically and voluntarily waives any right to claim that ROYL is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Royal Alliance Associates, Inc. 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 ROYL to submit it.

Sept 28, 2006

Date

Royal Alliance Associates, Inc.

Respondent

By: [Signature]
Name: ARTHUR TAMBARO

Title: EVP

Reviewed by:

[Signature]
Counsel for Respondent

Accepted by NASD:

11/30/06
Date

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

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