

**NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. ##**

20050032150-01

RECEIVED
2007 MAY 29 A 11:35
REGISTRATION & DISCLOSURE

TO: Department of Market Regulation
NASD

RE: Itau Securities Inc., Respondent
Broker-Dealer
CRD No. 118817

Pursuant to Rule 9216 of NASD Code of Procedure, Itau Securities Inc., (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 the firm 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 ("ODA"), 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-8310-3; 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:

The firm has been a member of NASD since June 13, 2002 and its registration remains in effect. The firm has no relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

The firm 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 the firm;
- 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, 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.

II.

ACCEPTANCE AND CONSENT

In connection with 20050032150, the Market Regulation Department staff ("staff") conducted a review of the firm's compliance with the Trade Reporting and Compliance Engine ("TRACE") reporting requirements during the period July 1, 2005 through September 30, 2005.

In connection with 20060062442, the staff conducted a review of the firm's compliance with TRACE reporting requirements during the period April 1, 2006 through June 30, 2006.

- 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 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:

20050032150

1. The firm failed to report to TRACE 204 transactions in TRACE-eligible securities executed on a business day during TRACE system hours within 15 minutes of the time of execution. These late transactions constituted 98 percent of all transactions in TRACE-eligible securities that the firm was required to report to TRACE during the period July 1, 2005 through September 30, 2005. The conduct described in this paragraph 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.
2. 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) the 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. The conduct described in this paragraph constitutes a violation of NASD Conduct Rules 2110 and 3010.

20060062442

3. The firm failed to report to TRACE the lower of yield to call or yield to maturity for 79 transactions in TRACE-eligible securities. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6230(c)(13).
- B. The firm also consents to the imposition, at a maximum, of the following sanctions:

A censure and fine of \$12,500 comprised of the following:

- \$10,000 in connection with 20050032150 comprised of a \$5,000 fine for the TRACE violations and a \$5,000 fine for deficient supervisory procedures; and
- \$2,500 in connection with 20060062442 for the TRACE violations.

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

III.

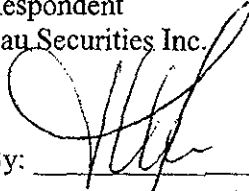
OTHER MATTERS

- A. The firm 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. 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 NASD, nor does it reflect the views of NASD or its staff.
- B. The firm 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 the firm proposes to pay any fine imposed.
- C. The firm specifically and voluntarily waives any right to claim that the firm is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

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, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce the firm to submit it.

May 1, 2007
Date

Respondent
Itau Securities Inc.

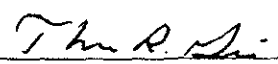
By: 
Name: Thomas DeLoene
Title: President

Reviewed by:

Counsel for Respondent

Accepted by NASD:

5/22/07
Date


Thomas R. Gira
Executive Vice President
Department of Market Regulation

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

STATEMENT OF CORRECTIVE ACTION

May 1, 2007

Dear Sirs:

We would like to reiterate our commitment to complying with the reporting requirements of the Trade Reporting and Compliance Engine (TRACE). As mentioned in our previous letters, Itaú Securities Inc. (the "Firm") has implemented several steps to assist the Firm, including:

1. Automated Reporting

The Firm has implemented an automated reporting system for TRACE-eligible securities through Bloomberg's Trade Order Management System. Trades in TRACE-eligible securities are timely and accurately reported through an automated trading system that communicates with the trading system used by the Firm.

2. Policies and Procedures

Our Written Supervisory Procedures were amended to provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations. Our revised procedures describe in detail the policies and procedures of the Firm, including:

- ✓ A clear assignment of the responsibilities to report, review and supervise;
- ✓ The information that should be reported for each transaction;
- ✓ The daily review of the TRACE Scan Report; and
- ✓ The monthly review of the TRACE Quality of Markets Report Card.

3. Reporting Responsibility

The Firm has increased the number of employees who are responsible for reporting trades in TRACE-eligible securities. During the period covered by NASD's inquiries, the Firm had one to two employees who were responsible for manually inputting all trades into TRACE. Since then, the Firm has increased the number of employees responsible for reporting TRACE-eligible securities to four, including a new employee fully dedicated to the activities

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of middle office in fixed income. Furthermore, we have added two employees who serve as alternates in case any of the four employees are unable to report.

4. Supervision Responsibility

The Firm has implemented two different stages of supervision in order to ensure not only that trades are reported, but also that the daily supervision is properly carried out. The Compliance Officer is responsible for the daily review of trades, comparing the daily blotter with the TRACE Scan Report. On a monthly basis, the Chief Compliance Officer will review the TRACE Quality of Markets Report to ensure that trades are reported and that the daily review is being properly conducted.

5. New training for all employees involved in the trading and supervision of TRACE-reportable trades

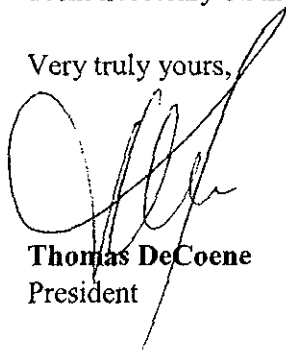
All employees received a training session in which the Compliance Officer described the inquiries brought by the NASD, discussed the possible reasons why trades were not timely reported, and explained the Written Supervisory Procedures of the Firm.

Subsequently, all employees received the TRACE's User Guide and were provided in-house training on how to use the system, report trades, retrieve information, and correct errors.

Finally, the Firm included the reporting requirements and the inquiries presented by the NASD in its Annual Compliance Meeting, where all employees (and not only those whose responsibility includes reporting TRACE-eligible trades) received detailed instructions on how and when to report.

We hope the information provided herein will assist you in reviewing our continuing cooperation with the NASD and compliance with its rules and regulation. We thank you in advance for your attention to this statement and remain at your disposal for any additional information you may deem necessary on the above captioned matter.

Very truly yours,



Thomas DeCoene
President

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