

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

20050033029-01

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REGISTRATION & DISCLOSURE

**TO: Market Regulation Department
NASD**

**RE: ABN Amro Incorporated, Respondent
Broker-Dealer
CRD No. 15776**

Pursuant to Rule 9216 of NASD Code of Procedure, ABN Amro Incorporated (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 relevant history are as follows:

The firm has been a member of NASD since November 20, 1985 and its registration remains in effect. On October 6, 2005 an AWC became final wherein the firm was censured and fined \$20,000 for OATS and supervision violations. On February 9, 2004 an AWC became final wherein the firm was censured and fined \$32,500 for supervision and trade reporting violations.

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

This matter arose out of the 2005 Trading and Market Making Surveillance Examination of the firm conducted by the staff of the Department of Market Regulation of NASD, wherein the staff reviewed the items set forth on Exhibit A. Unless otherwise stated, the samples were from trade dates November 7-11, 2005 ("TMMS review period").

- 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:
1. The firm failed on 29 occasions to provide written notification disclosing to its customer that the transaction was executed at an average price. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
 2. During the TMMS review period, the firm transmitted to OATS reports relating to four orders that contained inaccurate, incomplete, or improperly formatted data. Specifically, with respect to two orders, the cancel/replace reports omitted a required special handling code. With respect to one order, the firm submitted incorrect execution reports with an improper handling code and failed to submit an execution report for the average price customer execution. With respect to one order, the firm failed to submit the execution report for the customer average price execution. These inaccurate and/or incomplete reports represented 17 percent of the sample of orders reviewed in the TMMS examination that the firm transmitted during the TMMS review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6955(a).
 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 registration, handling of customer orders in CQS securities, best execution, anticompetitive practices, short sales, trading halts, OATS, trade reporting, Chinese Walls, and SEC Rules 605 and 606. Specifically, the firm's supervisory system did not include written supervisory procedures providing for one or more of the following: (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.

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

A censure, a fine of \$20,000 (composed of a \$5,000 fine for the OATS violations, a \$5,000 fine for the 10b-10 violations, and a \$10,000 fine for the supervision violation) and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph three. Within 45 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 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. 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.

5/15/07
Date

Respondent
ABN Amro Incorporated

By: [Signature]
Name: Donald P. Rappaport
Title: MD, Compliance Director

Reviewed by:

[Signature]
Counsel for Respondent
Milbank, Tweed, Hadley & McCloy LLP
By: Wayne M. Aaron

Accepted by NASD:

6/13/07
Date

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

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

ABNA
EXHIBIT A

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
49	customer and proprietary sale transactions, for compliance with SEC Rules 200(g) and/or 203(b),	from trade dates November 7-11, 2005.
73	customer and proprietary sales, for compliance with NASD Rule 6130,	from trade dates November 7-11, 2005.
4	short sales in NNM securities, for compliance with NASD Rule 3350,	from trade dates November 7-11, 2005.
1	short sales in CQS securities, for compliance with SEC Rule 10a-1 (Tick Test),	from trade dates November 7-11, 2005.
40	limit and market orders executed in a principal or riskless principal capacity, for compliance with capacity reporting under NASD Trade Reporting and ACT rules,	from trade dates November 7-11, 2005.
0	"non displayed" limit orders and marketable orders in the same securities received while holding the "non-displayed" orders, for compliance with NASD Rule 2320,	from trade dates November 7-11, 2005.
0	order for NASDAQ securities in soft dollar accounts and 0 related execution, for compliance with trade reporting rules and the safe harbor limitations of SEC section 28(e),	from the month of November 2005.
0	open buy limit orders and stop sell limit orders in securities traded ex-dividend, for compliance with NASD Rule 3220,	from trade dates November 7-11, 2005.
NA	trades reported and modified through a mixed capacity regulatory report, for compliance with NASD Rule 6130,	from trade dates November 7-11, 2005.

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
NA	trades in NNM or SC securities reported with a .PRP modifier, for compliance with NASD Rules 4632 and 2320,	from trade dates November 7-11, 2005.
25	orders in securities for which the firm was a market center, for compliance with the order size/type classification requirements of REG NMS 605,	from trade dates November 7-11, 2005.
5	security/size/order data statistics published on the firm's monthly order execution report, for compliance with REG NMS 605,	from the September 2005 report.
4 th Quarter 2005	data published on the firm's quarterly order routing report, for compliance with REG NMS 606,	from the report including December 2005.
3	persons engaged in the firm's trading and market making activities, for compliance with NASD Registration rules,	from trading staff in December 2005
7	Institutional Not Held Market Orders for compliance with NASD Rules 6440, 2320, and 2110,	from trade dates November 7-11, 2005.
122	trades reported to ACT or TRACS in connection with the above samples, for general compliance with NASD Trade Reporting and ACT rules,	from trade dates November 7-11, 2005.
42	customer trade confirmations reviewed in connection with the above samples, for compliance with SEC Rule 10b-10,	from trade dates November 7-11, 2005.
24	orders in NNM or SC securities submitted to OATS, for compliance with NASD Rule 6955,	from trade dates November 7-11, 2005.
N/A	the firm's establishment and implementation of a supervisory system and written supervisory procedures, for compliance with NASD Rule 3010.	based on WSPs in effect during December 2005