

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

NO. 20050035611-01

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REGISTRATION & DISCLOSURE

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: Tradition Asiel Securities Inc., Respondent
Broker-Dealer
CRD No. 28269

Pursuant to NASD Rule 9216 of FINRA Code of Procedure, Tradition Asiel 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 below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

ACCEPTANCE AND CONSENT

- 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 FINRA, or to which FINRA 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 FINRA:

BACKGROUND

The firm has been a member of FINRA since September 16, 1991, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On May 5, 2006, an AWC became final pursuant to which FINRA censured and fined the firm \$35,000 for violations of NASD Rules 2110, 3010, 5430(a), and 6130(b). On June 1, 2005, an AWC became final pursuant to which FINRA censured and fined the firm \$20,000 for violations of NASD Rules 2110, 3010, and 6130(b). On June 24, 2004, an AWC became final pursuant to which FINRA

censured and fined the firm \$22,500 for violations of NASD Rules 2110, 3010, 4632(a), and 6620(a).

FACTS AND VIOLATIVE CONDUCT

This matter arose from the following reviews conducted by the staff of FINRA's Market Regulation Department:

20050035611, the Trading and Market Making Surveillance Examination of the firm for November 21, 2005 through November 22, 2005. A description of the areas reviewed by the staff is attached to this AWC as Exhibit 1.

20060075402, the Trading and Market Making Surveillance Examination of the firm for December 4, 2006 through December 15, 2006. A description of the areas reviewed by the staff is attached to this AWC as Exhibit 2.

20060055565, a review of the firm's compliance with NASD trade reporting rules from January 1, 2006 through April 30, 2006.

20070080512, a review of the firm's compliance with NASD trade reporting rules from September 1, 2006 through December 31, 2006.

20050035611 TMMS Exam (Nov. 21-22, 2005)

1. The firm failed to report to the National Market Center ("NMC") the correct symbol indicating whether the transaction was a buy, sell, sell short, sell short exempt or cross for 21 transactions in Reportable Securities; and the correct symbol indicating whether the firm executed 20 transactions in Reportable Securities in a principal or agency capacity. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6130(d).
2. The firm failed to report to the NMC five last sale reports of transactions in designated securities; and the correct price of the transaction in nine last sale reports of transactions in designated securities. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 4632.
3. The firm failed to report to the NMC 21 last sale reports of transactions in eligible securities; and the correct price of the transaction in 19 last sale reports of transactions in eligible securities. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6420.

4. The firm incorrectly reported to the NMC the second leg of 10 "riskless" principal transactions in OTC Equity securities by *incorrectly designating the capacity of such transactions as "principal."* The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6620(d).
5. The firm failed on 16 occasions to provide written notification disclosing to its customer that the transaction was executed at an average price; and on 28 occasions when it acted as a non market maker principal for its own account, failed to provide written notification disclosing to its customer the difference between the transaction price to the customer and the firm's contemporaneous cost related to the transaction. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
6. The firm failed to show the time of entry on the memorandum of 28 brokerage orders; and failed to show the correct price of execution on the memorandum of 28 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3.
7. The firm failed to preserve for a period of not less than three years, the first two in an accessible place, the memorandum of three brokerage orders, two customer confirmations, and five customer account statements. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-4.
8. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of NASD. At a minimum, adequate written supervisory procedures addressing quality of market topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to provide for one or more of the four above-cited minimum requirements for adequate written supervisory procedures, in the following subject areas: registration of employees [b]; qualification of supervisory personnel [b]; frontrunning customer limit orders and customer

market orders in CQS securities [a,b,c,d]; correct usage of multiple MPIDs [a,b,c,d]; best execution (including riskless principal transactions, agency customer orders, customer block sized orders, not-held orders, customer orders involving special pricing or terms, crossing orders, order-by-order routing) [a,b,c,d]; trade reporting (including riskless principal trade reporting, accuracy and timeliness of trade reporting, proper use of trade reporting modifiers, accepting trades reported by another firm or entering a matching trade in a timely manner, and monitoring third party trade reports to ensure trades are accurately reported on member's behalf, and accuracy of short sale indicators) [a,b,c,d]; SEC Rule 202, threshold securities [a,b,c,d]; and soft dollar accounts and transactions [a,b,c,d]. The conduct described in this paragraph constitutes violations of NASD Conduct Rules 2110 and 3010.

9. The firm also failed to enforce its written supervisory procedures by failing to document and maintain evidence of supervisory reviews in the following areas: registration of employees; qualifications of supervisory personnel; disclosure of order routing information; disclosure of order execution information; marking of order tickets long, short, or short sale exempt; locating securities being sold prior to execution; trading or quoting during a trading halt; and OATS, including clock synchronization and accuracy and timeliness of data submitted to OATS. The conduct described in this paragraph constitutes a violation of NASD Conduct Rules 2110 and 3010.

20060075402 TMMS Exam (Dec. 4-16, 2006)

10. The firm failed to report to the Nasdaq Trade Reporting Facility ("TRF") the correct symbol indicating whether the transaction was a buy, sell, sell short, sell short exempt or cross for 142 transactions in Reportable Securities; and failed to report to the TRF the correct symbol indicating whether the firm executed 77 transactions in Reportable Securities in a principal or agency capacity. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6130(d).
11. The firm failed to submit to the TRF, for the offsetting, "riskless" portion of 166 "riskless" principal transactions in designated securities, either a clearing-only report with a capacity indicator of "riskless principal," or a non-tape, non-clearing report with a capacity indicator of "riskless principal." The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6420(d).
12. The firm failed to submit to the TRF, for the offsetting, "riskless" portion of 90 "riskless" principal transactions in designated

securities, either a clearing-only report with a capacity indicator of "riskless principal," or a non-tape, non-clearing report with a capacity indicator of "riskless principal." The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 4632(d).

13. The firm, on 12 occasions when it acted as principal for its own account, failed to provide written notification disclosing to its customer that it was a market maker in each such security; and failed on 13 occasions to provide written notification disclosing to its customer its correct capacity in the transaction. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
14. The firm failed to show the correct time of execution on the memorandum of 72 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3.
15. The firm failed to enforce its written supervisory procedures by failing to document and maintain evidence of supervisory reviews in the following areas: best execution and trade reporting. The conduct described in this paragraph constitutes a violation of NASD Conduct Rules 2110 and 3010.

20060055565 Trade Reporting (Jan. 1, 2006 through Apr. 30, 2006)

16. The firm incorrectly designated as ".SLD" to the NMC 149 last sale reports of transactions in eligible securities reported to Nasdaq within 90 seconds of execution. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6420.

20070080512 Trade Reporting (Sept. 1, 2006 through Dec. 31, 2006)

17. The firm failed to accept or decline in the OTC Reporting Facility 237 transactions in Reportable Securities within twenty minutes after execution. The firm also failed to accept or decline in the TRF 54 Reportable Securities within twenty minutes after execution. Together, these transactions represented approximately 3.52% percent of all transactions that the firm had an obligation to accept or decline as the OEID during the review period. The conduct described in this paragraph constitutes a violation of NASD Marketplace Rule 6130(b) and a violation of NASD Conduct Rule 2110.

18. During the review period the firm failed to enforce its written supervisory procedures relating to NASD Rule 6130(b), which required that a designated supervisor of the firm review Nasdaq Report Cards and other records or reports available to ensure compliance with the firm's trade reporting obligations to accept or decline transactions within 20 minutes of execution. The conduct described in this paragraph constitutes a separate and distinct 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; fine of \$67,500 (consisting of \$15,000 for inaccurate trade reporting, \$15,000 for failing to accurately report short sale and capacity indicators, \$7,500 for inaccurate customer confirmations, \$5,000 for inaccurate or incomplete books and records; \$15,000 for failing to accept or decline transactions within 20 minutes of execution, and \$10,000 for supervisory violations); and an undertaking to revise the firm's written supervisory procedures with respect to the areas described herein. 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 herein; and (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that payment is due and payable. The firm has submitted an Election of Payment form showing the method by which the firm proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that the firm is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under FINRA'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.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
 4. 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. The firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The firm 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 FINRA, nor does it reflect the views of FINRA or its staff.

The firm certifies that the firm has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the firm has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

JUN 25 2008

Date

Respondent

Tradition Asiel Securities, Inc.

By:

Name: John B. Morgan

Title: Chief Compliance Officer

Reviewed by:

John B. Morgan
Counsel for Respondent

Accepted by FINRA:

Date

7/18/08

Signed on behalf of the

Director of ODA, by delegated authority

Thomas R. Gira

Thomas R. Gira

Executive Vice President

Department of Market Regulation

Exhibit No.1

The staff reviewed the following samples during TMMS examination 20050035611.

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
50	customer and proprietary sale transactions, for compliance with SEC Rules 200(g) and/or 203(b)	Nov. 21-22, 2005
80	customer and proprietary sales, for compliance with NASD Rule 6130	Nov. 21-22, 2005
87	limit and market orders/transactions executed in a principal or riskless principal capacity, for compliance with capacity reporting under NASD Trade Reporting and ACT rules	Nov. 21- 22, 2005
NA	trades reported and modified through a mixed capacity regulatory report, for compliance with NASD Rule 6130	Nov. 21-22, 2005
NA	trades in NNM or SC securities reported with a .PRP modifier, for compliance with NASD Rules 4632 and 2320	Nov. 21-22, 2005
25	orders in securities for which the firm was a market center, for compliance with the order size/type classification requirements of SEC Rule 605	Nov. 21-22, 2005
4 Groups (26 Orders)	security/size/order data statistics published on the firm's monthly order execution report, for compliance with SEC Rule 605	Nov. 21-22, 2005
N/A	data published on the firm's quarterly order routing report, for compliance with SEC Rule 606	4 th Quarter 2005
26	persons engaged in the firm's trading and market making activities, for compliance with NASD Registration rules	from trading staff in Nov. 2005
0	Institutional Not Held Market Orders for compliance with NASD Rules 6440, 2320, and 2110	Nov. 21-22, 2005
253	order/trade records prepared and maintained in connection with the above samples, for general compliance with NASD Rule 3110 and SEC Rules 17a-3 and 17a-4	Nov. 21-22, 2005
249	trades reported to ACT or TRACS in connection with the above samples, for general compliance with NASD Trade Reporting and ACT rules	Nov. 21-22, 2005
29	customer trade confirmations reviewed in connection with the above samples, for compliance with SEC Rule 10b-10	Nov. 21-22, 2005
50	orders in NNM or SC securities submitted to OATS, for compliance with NASD Rule 6955	Nov. 21-22, 2005

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
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 November 2005

The staff reviewed the following samples during TMMS examination 20060075402.

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
38	customer and proprietary sell orders, for compliance with SEC Rules 200(g) and/or 203(b)	Dec. 4-15, 2006
202	customer and proprietary sales, for compliance with NASD Rule 6130	Dec. 4-15, 2006
119	Cancelled transactions for compliance with the requirement to cancel trade reports within ninety seconds of cancellation from books and records	Dec. 4-15, 2006
N/A	data published on the firm's quarterly order routing report, for compliance with SEC Rule 606	from the report published for the 4 th Quarter of 2006
24	customer transactions in OTCBB and OTC equity securities, for compliance with NASD Rules 3110(b) and 2320	Dec. 4-15, 2006
10	persons engaged in the firm's trading and market making activities, for compliance with NASD Registration rules	from Trading staff in place during December of 2006
50	orders in NNM or SC securities submitted to OATS, for compliance with NASD Rule 6955	Dec. 4-15, 2006
596	trades reported to ACT or TRACS in connection with the above samples, for general compliance with NASD Trade Reporting and ACT rules	Dec. 4-15, 2006
117	order/trade records prepared and maintained in connection with the above samples, for general compliance with NASD Rule 3110 and SEC Rules 17a-3 and 17a-4	Dec. 4-15, 2006
31	customer trade confirmations reviewed in connection with the above samples, for compliance with SEC Rule 10b-10	Dec. 4-15, 2006
86	Orders entered into NASDAQ for general compliance with NASDAQ Rule 4755	Dec. 4-15, 2006
86	Orders entered into NASDAQ for general compliance with NASDAQ Rule 2110	Dec. 4-15, 2006
N/A	the firm's establishment and implementation of "regular & rigorous" reviews of the execution quality of orders sent to other market centers and internalized, for compliance with NASD Rules 2320 and 3010	WSPs in effect during December of 2006
N/A	the firm's establishment and implementation of a supervisory system and written supervisory procedures, for compliance with NASD Rule 3010	WSPs in effect during December of 2006.