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REGISTRATION & DISCLOSURE

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
20060053257-01

TO: Department of Market Regulation
NASD

RE: Mitsubishi UFJ Securities (USA), Inc., Respondent
Broker/Dealer
CRD No. 19685

Pursuant to Rule 9216 of NASD Code of Procedure, Mitsubishi UFJ Securities (USA), 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 any of the firm's disciplinary records;
 - 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

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- 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 allegation 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 which 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 July 25, 1987, 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 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, 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 Market Regulation Review No. 20060053257, the staff reviewed the firm's compliance with reporting requirements applicable to transactions in eligible securities in the Trade Reporting and Compliance Engine ("TRACE") during the review period of October 1, 2005 through December 31, 2005 (the "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 to report to TRACE the lower of yield to call or yield to maturity for 64 transactions in TRACE-eligible securities. These transactions constitute 100 percent of the transactions in TRACE-eligible securities that the firm reported to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Conduct Rule 2110 and NASD Marketplace Rule 6230(c)(13).
 2. The firm failed to enforce its written supervisory procedures which specified that the designated supervisory principal would review the trading records and "trade scan" and rejected reports from TRACE on the days transactions in TRACE-eligible securities occurred to ensure compliance with TRACE reporting requirements (including the yield reporting requirements to which the procedures expressly referred). The conduct described in this paragraph constitutes violations of NASD Conduct Rules 2110 and 3010.
- B. The firm also consents to the imposition, at a maximum, of the following sanctions:

A censure and a fine of \$10,000 (consisting of \$5,000 for the TRACE violations and \$5,000 for the supervisory violation).

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 to this AWC a Corrective Action Statement, which 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 it proposes to pay any fine imposed.
- C. The firm 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.

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.

Respondent

Mitsubishi UFJ Securities (USA), Inc.

June 22, 2007
Date

By:

Name:

Title:

Patrick J. Donegan
Managing Director and
Chief Compliance Officer

Reviewed by:

Michael D. Trayer
Arnold & Porter LLP
Counsel for Respondent

Accepted by NASD:

7/10/07
Date

Thomas R. Gira
Thomas R. Gira
Executive Vice President
Department of Market Regulation

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

Attachment: Election of Payment Form

*This Corrective Action Statement is submitted by the Respondent.
It does not constitute factual or legal findings by NASD,
nor does it reflect the views of NASD, or its staff.*

Mitsubishi UFJ Securities (USA), Inc.
Corrective Action Statement in Connection with Review No. 20060053257

June 28, 2007

This Corrective Action Statement relates to the Letter of Acceptance, Waiver and Consent being submitted by Mitsubishi UFJ Securities (USA), Inc. ("Mitsubishi") in connection with the above-captioned review relating to certain transactions reported to the Trade Reporting and Compliance Engine ("TRACE").^{1/}

Upon discovery of the TRACE issues in connection with the NASD staff's review, Mitsubishi took the following steps to ensure compliance with reporting yield pursuant to NASD Rule 6230(c)(13):

- Mitsubishi's Compliance Group held a training session on TRACE reporting policies and procedures with relevant Mitsubishi employees to review, among other things, when yield needs to be included in a trade report submitted to TRACE.
- For each transaction reported to TRACE that requires yield to be identified, yield is entered into the trade report submitted to TRACE by the Operations Group.
- For each transaction reported to TRACE that requires yield to be identified, the Compliance Group obtains the relevant NASD TRACE Trade Scan Report ("Trade Scan Report") and reviews it to ensure that yield was reported for the transaction.^{2/}
- Mitsubishi corrected the prior TRACE reports for the transactions at issue during the relevant period to include yield for these transactions.

While this is the first time that Mitsubishi has faced an issue in connection with TRACE reporting (and Mitsubishi does only a small amount of business in TRACE-eligible securities), Mitsubishi nonetheless takes TRACE reporting very seriously and believes that it has done what is necessary to prevent recurrence and ensure compliance with TRACE reporting requirements.

^{1/} Mitsubishi is submitting this Corrective Action Statement consistent with its regulatory responsibilities. Nothing in this document should be construed as a waiver of any privilege or protection (including the attorney-client privilege or attorney work product protection), and Mitsubishi reserves all rights with respect to any such privileges and protections.

^{2/} It should be noted that, as a general matter, NASD TRACE Quality of Markets Report Cards ("TRACE Report Cards") cover certain types of deficiencies in firms' TRACE reports. The TRACE Report Cards during the relevant period that were reviewed by Mitsubishi's Compliance Group, however, did not identify the lack of yield reporting as a deficiency. While yield is not always required to be reported for all TRACE transactions as outlined in NASD Rule 6230(c)(13), it is not clear why the TRACE Report Cards during the relevant period did not identify the yield deficiency (current TRACE Report Cards contain a yield field). In any event, as discussed above, Trade Scan Reports, which identify yield, are now being reviewed to confirm that yield is being reported.

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