

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

**20060058655-01**

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REGISTRATION & DISCLOSURE

**TO: Department of Market Regulation**  
**NASD**

**RE: Jesup & Lamont Securities Corp., Respondent**  
**Broker-Dealer**  
**CRD No. 39056**

Pursuant to Rule 9216 of NASD Code of Procedure, Jesup & Lamont Securities Corp. (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 JM-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 February 28, 1996, and its registration remains in effect. On April 15, 2005, NASD's Office of Hearing Officers entered an Order accepting an Offer of Settlement in which the firm was censured and fined \$75,000 for various violations from 2002 to 2004 concerning research activities, supervision, equity and corporate and municipal bond trade reporting, book and records, membership agreement provisions, and anti-money laundering compliance.

#### **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 Market Regulation Review No. 20060058655, the Market Regulation staff (the "staff") reviewed the firm's trade reporting in municipal securities during the time period of April 1, 2006 through June 30, 2006 (the "review period"), for compliance with MSRB Rules G-14 and G-27.

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. In 85 instances, the firm improperly reported information to the Real-time Transaction Reporting System ("RTRS") that it should not have during the review period. Specifically, the firm improperly reported 85 "purchase and sale transactions effected in municipal securities" to the RTRS, when the inter-dealer deliveries were "step outs" and thus, were not inter-dealer transactions reportable to the RTRS. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.
2. During the review period, the firm failed to submit information about 75 of the step out deliveries referenced in Item II.A.1. above to the National Securities Clearing Corporation's Real-Time Trade Matching automated comparison system in the manner prescribed by the RTRS Users Manual and the MSRB's April 1, 2005 Notice on Comparison of Inter-Dealer Deliveries that Do Not Represent Inter-Dealer Transactions. Specifically, the firm failed to include specific items of information listed for such deliveries in the Specifications for Real-Time Reporting of Municipal Securities Transactions and the above referenced Notice, namely the Destination 01 (Matching Only) Indicator. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

3. During the review period, 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 MSRB, concerning municipal securities trade 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 person(s) responsible for ensuring compliance with the rules; (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 MSRB Rule G-27.

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

**A censure, a \$15,000 fine (consisting of \$10,000 for the trade reporting violations and \$5,000 for the supervisory violation), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph II.A.3. 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 in paragraph II.A.3; 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.

7/22/07  
Date

Respondent  
Jesup & Lamont Securities Corp.

By: William Moreno

Name: WILLIAM MORENO

Title: PRESIDENT

Reviewed by:

Counsel for Respondent

Accepted by NASD:

8/20/07  
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

# Jesup & Lamont

SECURITIES CORPORATION

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NEW YORK, NY 10019

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SIPC

TELEPHONE: (212) 907-2880  
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July 25, 2007

Dawn Faris  
Counsel  
NASD  
9509 Key West Avenue  
Rockville, MD. 20850

**Re: Corrective Action Statement per AWC**

Dear Ms. Faris:

This Corrective Action Statement is being submitted by the Respondent Jesup & Lamont Securities. It does not constitute factual or legal findings of the NASD, nor does it reflect the reviews of the NASD or Staff.

Pursuant to NASD finds and subsequent AWC please find attached amendments to the firm's supervisory procedures and Compliance reminders addressing TRACE reporting and supervision..

We appreciate your understanding in this matter. If you require any additional information, please contact me directly at (212) 918- 0437.

Sincerely,



Michael Clements  
Chief Compliance Officer

Enclosure

cc: **FINRA District 10 – New York**  
**Hans L. Reich, Regional Director**  
**One Liberty Plaza**  
**New York, NY 10006**