

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20060059615-01

RECEIVED

2007 MAR 30 P 6: 26

REGISTRATION & DISCLOSURE

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

RE: Aletheia Securities, Inc., Respondent
Broker-Dealer
CRD No. 44784

Pursuant to NASD Rule 9216 of FINRA Code of Procedure, Aletheia 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.

I.

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 NASD since December 1, 1998.

RELEVANT PRIOR DISCIPLINARY HISTORY

The firm does not have any relevant prior disciplinary history.

SUMMARY

In connection with 20060059615, the staff of FINRA's Department of Market Regulation conducted a review of the firm's compliance with its transaction reporting obligations to the Trade Reporting and Compliance Engine ("TRACE") during the time period January 1, 2006 through March 31, 2006 (the "review period").

20060059615 (includes 20080155746)
(TSG)

000017091 2009

In connection with 20070073721, the staff of FINRA's Los Angeles District Office conducted a review of the firm's compliance with its transaction reporting obligations to TRACE in August 2006, November 2006 and January 2007.

FACTS AND VIOLATIVE CONDUCT

20060059615

1. During the review period, the firm failed to report to TRACE 268 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted 72 percent of all transactions in TRACE-eligible securities that the firm was required to report to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(a) and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Rule 2110.
2. During the review period, the firm failed to report to TRACE four transactions in TRACE-eligible securities that it was required to report. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(b).
3. During the review period, the firm failed to report to TRACE the correct time of trade execution for 268 transactions in TRACE-eligible securities. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(c)(8).
4. 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 for reporting to TRACE. 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 Rules 2110 and 3010

20070073721

5. In August 2006, the firm failed to report to TRACE 534 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted 99 percent of all transactions in TRACE-eligible securities that the firm was required to report to TRACE in August 2006. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(a) and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Rule 2110.

6. In August 2006, the firm failed to report to TRACE five transactions in TRACE-eligible securities that it was required to report. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(b).
7. In November 2006, the firm failed to report to TRACE 21 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted 48 percent of all transactions in TRACE-eligible securities that the firm was required to report to TRACE in November 2006. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(a) and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Rule 2110.
8. In January 2007, the firm failed to report to TRACE 16 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted 70 percent of all transactions in TRACE-eligible securities that the firm was required to report to TRACE in January 2007. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(a) and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Rule 2110.
9. In January 2007, the firm incorrectly reported five transactions as block transactions with a customer, when in fact it should have reported the individual customer transactions that comprised each block. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230.

B. The firm also consents to the imposition of the following sanctions:

A censure and a fine of \$25,000 (comprised of a \$20,000 fine for the fixed income transaction reporting violations, and a \$5,000 fine for the supervision violation), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph four. 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 four; and, (3) the date the revised procedures were implemented. The firm specifically and voluntarily waives any right to claim that it 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 National Adjudicatory Council ("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 NASD Rule 9143 or the separation of functions prohibitions of NASD 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:

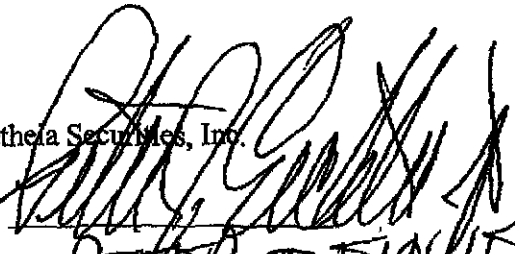
- 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;**
- 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's 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 it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's 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.

11/26/08
Date

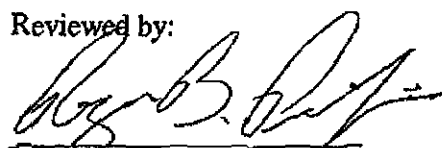
Aletheia Securities, Inc.

By: 

Name: PETER J. EICHLER JR

Title: Chairman, President, CEO

Reviewed by:


Counsel for Respondent

Patricia Barnes

Patricia Barnes

Sr. Vice President

Accepted by FINRA:

3/27/09
Date

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

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