

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007007503501**

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REGISTRATION & DISCLOSURE

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

RE: Cue Financial Group, Inc., Respondent
Member Firm
CRD No. 21033

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, Respondent 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respond 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

CUE Financial Group, Inc. ("CUE" or "the firm") has been a member of FINRA since May 1988. Cue is also a member of the Municipal Securities Rulemaking Board ("MSRB"). Cue has approximately one hundred seven registered representatives operating from eleven OSJ offices and fifty-eight non-OSJ offices. CUE engages in a general securities business.

RELEVANT PRIOR DISCIPLINARY HISTORY

Cue has no relevant disciplinary history.

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OVERVIEW

As a result of a routine examination, FINRA determined CUE had violated the following NASD and MSRB Rules. CUE failed to report any of its eligible corporate bond transactions to Trace Reporting and Compliance Engine ("TRACE") for a period of nineteen months. Moreover, CUE failed to register as a TRACE participant during the nineteen month period, though it was required to do so. In addition, CUE was late in reporting approximately fifteen municipal bond transactions to the MSRB and twenty-seven order tickets relating to municipal bond transactions did not contain required information. There were also related supervisory violations. CUE did not develop supervisory procedures and systems reasonably designed to ensure compliance with reporting requirements pertaining to corporate and municipal bonds and to ensure compliance with MSRB Rules relating to required order ticket information.

FACTS AND VIOLATIVE CONDUCT

1. TRACE Related Violations

On July 1, 2002, FINRA began requiring member firms to report information about corporate debt securities transactions for dissemination pursuant to the TRACE rules. Membership participation in TRACE for trade reporting purposes is mandatory. Such mandatory participation obligates members to report transaction information for TRACE eligible securities within 15 minutes of the time of execution.

Dealers and investors may experience harm if corporate debt securities data is unavailable or is inaccurate because transactions are not reported in a timely manner, because they cannot obtain an accurate picture of market activity and prices. Late or inaccurate transaction data may hinder a dealer's ability to price corporate debt securities accurately for customers, and, in turn, interferes with an investor's decision-making process. Additionally, accurate and timely corporate debt transaction reporting forms are the primary audit trail for regulators to conduct surveillance for potentially manipulative practices, as well as detect sales practice violations and other violations of the federal securities laws and NASD Rules.

During the period May 28, 2005 through February 25, 2007 ("the review period") CUE executed approximately 822 customer and interdealer transactions of corporate debt securities that were TRACE-eligible securities. Yet CUE was not registered as a TRACE participant during this period as required. Moreover, CUE had not attempted registration as it did not complete or submit a TRACE Participant application agreement to FINRA during the review period. Such conduct violated NASD Systems and Programs Rule 6220 and Conduct Rule

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CUE did not report any of the 822 TRACE eligible transactions, which were required to be reported. Such conduct violated NASD Systems and Programs Rule 6230 and Conduct Rule 2110.

2. Violations of MSRB Rules

MSRB Rule G-14 requires that transactions in municipal securities be reported to the MSRB within 15 minutes of the time of execution. Between January 1 and March 15, 2006, CUE failed to report fifteen out of twenty-four transactions within 15 minutes of execution as required by MSRB Transaction Reporting Procedures. The late transactions were reported between 1 hour and 58 minutes and seven hours after the time of trade. Such conduct violated MSRB Rule G-14 and Conduct Rule 2110.

MSRB Rule G-8 requires, among other things, that MSRB members make and keep current books and records including memorandums of orders for the purchase or sale of municipal securities showing the terms and conditions of the order and instructions, including the date and time of receipt of the order, the price at which it was executed, the date of execution and to the extent feasible, the time of execution. During the relevant time period, twenty-seven of CUE's order tickets were not prepared in accordance with MSRB Rule G-8, in that they were missing one or more of the following: the receipt time, entry time and/or execution time. Moreover, two of the order tickets contained an inaccurate yield. Such conduct violated MSRB Rule G-8 and Conduct Rule 2110.

3. Supervisory Violations

Pursuant to MSRB Rule G-27, each dealer engaging in municipal securities transactions is obligated to adopt, maintain and enforce written supervisory procedures reasonably designed to achieve compliance with the federal securities laws and MSRB Rules, including Rules G-14 and G-8. CUE's procedures require that transactions in municipal securities be reported within 15 minutes of the time of trade. At the time of the violations of MSRB Rule G-14 (January through March 2006), the firm did not have a supervisory system or procedures reasonably designed to ensure compliance with this requirement. One month later, however, in April the firm did update its procedures to require a review of a certain report to help detect untimely reporting of municipal securities transactions. In addition, CUE's systems and procedures were not reasonably designed to ensure that the firm's order tickets contained all required information. Such conduct violated MSRB Rule G-27 and Conduct Rule 2110.

CUE's written procedures also required that TRACE eligible transactions be reported within 15 minutes of execution. However, CUE failed to establish and maintain supervisory systems and procedures, written or otherwise, reasonably

designed to achieve compliance with its TRACE trade reporting obligations under Rule 6320. Such conduct violated Conduct Rules 3010 and 2110.

OTHER FACTORS

B. Respondent also consents to the imposition of the following sanctions:

A Censure and a \$45,000 fine.

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

Respondent 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

Respondent 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 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent 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.

Respondent 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

Respondent 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 Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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.

Respondent 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 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 Respondent to submit it.

Date

December 6, 2007

CUE Financial Group, Inc., Respondent

By:



Vaughn S. Olthouse, Senior Vice-President

Accepted by FINRA:

12/10/2007
Date

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



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