

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070082861-01

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2008 DEC -1 P 4: 36

REGISTRATION & DISCLOSURE

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

RE: **Agency Trading Group, Inc.**, Respondent
Broker-Dealer
CRD No. 108887

Pursuant to NASD Rule 9216 of the FINRA Code of Procedure, Agency Trading Group, Inc. (the "firm" or "ATGP") 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 FINRA since March 30, 2001 and its registration remains in effect.

RELEVANT PRIOR DISCIPLINARY HISTORY

On February 15, 2006, an AWC became final wherein ATGP was censured, fined \$7,000 for OATS and supervision violations, and required to update its written supervisory procedures.

SUMMARY

This matter arose out of the following reviews:

- 20070082861, a review by the staff of the Department of Market Regulation (the "staff") of the firm's compliance with trade reporting requirements in Nasdaq securities during the period September 1, 2006 through December 31, 2006 (the

"review period"). The staff also reviewed AGTP's written supervisory procedures regarding trade reporting in effect during the review period.

- 20070082941, a review by the staff of the firm's compliance with trade reporting requirements in CQS securities during the review period.

FACTS AND VIOLATIVE CONDUCT

20070082861

1. The firm failed, within 90 seconds after execution, to transmit to the Trade Reporting Facility ("TRF") 251 last sale reports of transactions in designated securities. These transactions constitute 72 percent of the transactions reviewed that the firm was required to report to the TRF during the review period. The conduct described in this paragraph constitutes a pattern or practice of late reporting without exceptional circumstances in violation of NASD Conduct Rule 2110.
2. 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, concerning trade reporting. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) a statement of the supervisory step(s) to be taken by the person responsible for supervision with respect to the applicable rules; (2) a statement as to how often such person(s) should take such step(s); and (3) 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 Conduct Rules 2110 and 3010.

20070082941

3. The firm failed, within 90 seconds after execution, to transmit to the Nasdaq Market Center 175 last sale reports of transactions in designated securities. These transactions constitute 90 percent of the transactions reviewed that the firm was required to report to the Nasdaq Market Center during the review period. The conduct described in this paragraph constitutes a pattern or practice of late reporting without exceptional circumstances in violation of NASD Conduct Rule 2110.
4. The firm failed to report the correct time of execution to the Nasdaq Market Center in 155 late, last sale reports of transactions in eligible securities. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6420(c)(5).

5. The firm failed to create 159 memoranda of brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Conduct Rule 3110.

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

A censure, a fine of \$20,000 (composed of a \$10,000 fine for the trade reporting violations, a \$5,000 fine for the supervision violation and a \$5,000 fine for the record keeping violations), and an undertaking to revise the firm's written supervisory procedures with respect to the area described in paragraph two. 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, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, 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 two; and (3) the date the revised procedures were implemented.

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

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(s) 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

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.

OCTOBER 23, 2008

Respondent
Agency ~~Trading~~ Group, Inc.

By:

Name: PATRICK R. HUGHES

Title: PRESIDENT

Counsel for Respondent

12/1/08
Date


Thomas R. Gira
Executive Vice President
Department of Market Regulation