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FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 20070106543-01

2008 NOV 25 P 4: 10

REGISTRATION &amp; DISCLOSURE

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

RE: Tradition Asiel Securities Inc. Respondent  
Broker-Dealer  
CRD No. 28269

Pursuant to NASD Rule 9216 of FINRA Code of Procedure, Tradition Asiel 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.

#### 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 September 16, 1991, and its registration remains in effect.

#### RELEVANT DISCIPLINARY HISTORY

On June 24, 2004, an AWC became final pursuant to which FINRA censured and fined the firm \$22,500 for violations of NASD Rules 2110, 3010, 4632(a), and 6620(a).

**FACTS AND VIOLATIVE CONDUCT**

This matter arose from the following reviews conducted by the staff of FINRA's Market Regulation Department:

**20070106543**, a review of the firm's compliance with NASD trade reporting rules for OTC equity securities from January 1, 2007 through April 30, 2007.

**20070106641**, a review of the firm's compliance with NASD trade reporting rules for Nasdaq National Market ("NNM") securities from January 1, 2007 through April 30, 2007.

**20080130848**, a review of the firm's compliance with NASD trade reporting rules for NNM securities from May 1, 2007 through August 30, 2007.

**20080120535**, the Trading and Market Making Surveillance ("TMMS") Examination of the firm for January 7, 2008 through January 9, 2008. A description of the areas reviewed by the staff is attached to this AWC as Exhibit 1.

**~~20070106543~~ Trade Reporting 1T07**

1. During the period January 1, 2007 through April 30, 2007, the firm double-reported 167 transactions in OTC equity securities to the OTC Reporting Facility. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6620.

**20070106641 Trade Reporting 1T07**

2. During the period January 1, 2007 through April 20, 2007, the firm double-reported 250 transactions in eligible securities to the NASD/Nasdaq Trade Reporting Facility ("NNTRF"). The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 4632.

**20080130848 Trade Reporting 2T07**

3. During the period May 1, 2007 through August 31, 2007, the firm double-reported 666 transactions in eligible securities to the NNTRF. The conduct in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 4632.

**20080120535 TMMS Exam Jan. 7-9, 2008**

4. In 40 instances, the firm failed to report to the NNTRF the cancellation of 40 trades previously submitted to the NNTRF; in 24 instances the firm failed to report the correct trade-through exemption modifier for 24 transactions in eligible securities; and in seven instances the firm failed to submit, for the offsetting, "riskless" portion of seven "riskless" principal transactions in designated securities, either a clearing-only report with a capacity indicator of "riskless principal," or a non-tape, non-clearing report with a capacity indicator of "riskless principal." The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 4632.
5. The firm failed on nine occasions to provide written notification disclosing to its customer that the transaction was executed at an average price. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
6. The firm failed to show the correct time of execution on the memorandum of eight brokerage orders, and failed to show the time of entry on the memorandum of five brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Conduct Rule 3110.
7. The firm failed to preserve for a period of not less than three years, the first two in an accessible place, the memorandum of three brokerage orders. The conduct described in this paragraph constitutes a violation of SEC Rule 17a-4 and NASD Conduct Rule 3110.

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

A censure and fine of \$18,500 (consisting of a fine of \$15,000 for inaccurate trade reporting, \$1,000 for violations of SEC Rule 10b-10, and \$2,500 for inaccurate or incomplete books and records).

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

The firm specifically and voluntarily waives any right to claim that the firm 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 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.

## 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 the firm has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the firm 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 the firm to submit it.

NOV 3 2008

Date

Respondent

Tradition Asiel Securities Inc.

By:

Name:

Title:

John B. Morgan  
John B. Morgan  
Chief Compliance Officer

Reviewed by:

John Morgan  
Counsel for Respondent

Accepted by FINRA:

Date

11/24/08

Signed on behalf of the

Director of ODA, by delegated authority

Thomas R. Gira  
Thomas R. Gira

Executive Vice President

Department of Market Regulation

## Exhibit No.1

The staff reviewed the following samples during TMMS examination 20080120535.

| <u>Sample Size:</u> | <u>Sample Description:</u>                                                                                                                                                                                                   | <u>Sample Source/Period:</u>           |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| 25                  | Customer and proprietary sell orders, reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements.                                                                                                   | From trade dates January 7 to 9, 2008. |
| 17                  | Customer and proprietary short sales, reviewed for compliance with SEC Rule 203(b) security location requirements.                                                                                                           | From trade dates January 7 to 9, 2008. |
| 704                 | Customer and proprietary sales reported to a TRF or OTCRF, for compliance with NASD Rules 6130, 4632 and 6620 sale indicator reporting requirements.                                                                         | From trade dates January 7 to 9, 2008. |
| 0                   | Customer and proprietary sales reported to the ADF/TRACS, for compliance with NASD Rule 4632A sale indicator reporting requirements.                                                                                         | From trade dates January 7 to 9, 2008. |
| 191                 | Customer and proprietary sell orders entered into the Nasdaq Exchange execution systems, for compliance with Nasdaq Rule 4755 long/short sale indicator entry requirements.                                                  | From trade dates January 7 to 9, 2008. |
| 45                  | Cancellations of trades reported to a TRF or OTCRF, for compliance with NASD Rules 4632(g), 6420(f), 6620(f) and 6130(f) trade report cancellation requirements.                                                             | From trade dates January 7 to 9, 2008. |
| 0                   | Limit and market orders executed as principal, for compliance with the order protection and best execution requirements of NASD Rules 2110, IM-2110-2, 2111, 6541 and 2320, and Nasdaq Rules 2110, IM-2110-2, 2111 and 2320. | From trade dates January 7 to 9, 2008. |
| 0                   | Limit orders for NMS stocks in which the member acts as an exchange or OTC market maker, for compliance with the display requirements of SEC Rule 604, 604 and Nasdaq Rule 3390.                                             | From trade dates January 7 to 9, 2008. |
| 10                  | Market orders with "not held" terms or from institutional customers, for compliance with NASD Rule 2320 and Nasdaq Rule 2320 best execution requirements.                                                                    | From trade dates January 7 to 9, 2008. |
| 0                   | Market orders executed as principal, for compliance with NASD Rule 2320 and Nasdaq Rule 2320 best execution requirements.                                                                                                    | From trade dates January 7 to 9, 2008. |
| 2                   | Order memoranda for net trades effected by non-institutional and institutional customers, for compliance with NASD Rule 2441 documentation requirements.                                                                     | From trade dates January 7 to 9, 2008. |

| <u>Sample Size:</u> | <u>Sample Description:</u>                                                                                                                                                                                                                                                                                                                                                                                       | <u>Sample Source/Period:</u>                                      |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| 0                   | Net trading agreements with institutional customers, for compliance with NASD Rule 2441 documentation requirements.                                                                                                                                                                                                                                                                                              | From trade dates January 7 to 9, 2008.                            |
| 810                 | Principal and riskless principal trade executions effected otherwise than on an exchange for limit or market orders, for compliance with NASD Rules 4632, 6420, 6620 and 6130 requirements for TRF and OTCRF reporting.                                                                                                                                                                                          | From trade dates January 7 to 9, 2008.                            |
| 0                   | Principal and riskless principal trade executions effected otherwise than on an exchange for limit or market orders, for compliance with NASD Rule 4632A requirements for ADF/TRACS reporting.                                                                                                                                                                                                                   | From trade dates January 7 to 9, 2008.                            |
| 0                   | FINRA Market Surveillance breaks for principal and riskless principal trades, for compliance with NASD Rules 4632, 6420, 6620, 6130 and 4632A requirements for TRF, OTCRF and ADF/TRACS reporting.                                                                                                                                                                                                               | From trade dates January 7 to 9, 2008.                            |
| 52                  | Trade executions effected otherwise than on an exchange for 0 orders in Nasdaq-listed or exchange listed securities, received from customers with accounts subject to a soft dollar agreement, for compliance with the SEC '34 Act section 28(e) safe harbor which limits the accrual of soft dollar credits for riskless principal transactions to those reporting in compliance with NASD Rules 4632 and 6420. | From trade dates January 7 to 9, 2008.                            |
| 0                   | Open limit orders to buy and/or open stop orders to sell securities that traded ex-dividend, for compliance with NASD Rule 3220 and Nasdaq Rule 4761.                                                                                                                                                                                                                                                            | For ex-dividend dates January 7 and 8, 2008.                      |
| 0                   | Trades reported to a TRF or OTCRF with a PRP modifier, for compliance with NASD Rules 4632, 6420, 6620 and 2320.                                                                                                                                                                                                                                                                                                 | From trade dates January 7 to 9, 2008.                            |
| N/A                 | Orders for NMS stocks in which the firm acts as a market center, for compliance with SEC Rule 605 order classification requirements.                                                                                                                                                                                                                                                                             | From trade dates January 7 to 9, 2008.                            |
| N/A                 | Datasets published for on the monthly order execution report, for compliance with SEC Rule 605 requirement to publish accurate data. (A "dataset" is all required statistical data for a single order category, with each category representing a single unique combination of a security, order type and order size, as described in Rule 605.)                                                                 | Firm's monthly order execution report from December 2007.         |
| N/A                 | Quarterly order routing report, for compliance with SEC Rule 606 requirements.                                                                                                                                                                                                                                                                                                                                   | Report published for the period of October through December 2007. |

| <u>Sample Size:</u> | <u>Sample Description:</u>                                                                                                                                                                                                                                                                                         | <u>Sample Source/Period:</u>                                                                                                       |
|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| 7                   | Customer orders in OTC equity securities, for compliance with NASD Rules 2320(g) and 3110(b) requirements to ascertain and document the best interdealer market for transactions in such securities.                                                                                                               | From trade dates January 7 to 9, 2008.                                                                                             |
| 43                  | Orders in securities required to be submitted to OATS, for compliance with NASD Rules 6954 and 6955, and Nasdaq Rules 6954 and 6955 requirement to submit OATS information.                                                                                                                                        | From trade dates January 7 to 9, 2008.                                                                                             |
| 117                 | Order/Trade records prepared and maintained in connection with the above samples, for general compliance with requirements of NASD Rule 3110 and SEC Rules 17a-3 and 17a-4.                                                                                                                                        | From trade dates January 7 to 9, 2008.                                                                                             |
| 1,328               | Trades reported to a TRF, OTCRF or ADF/TRACS in connection with the above samples, for general compliance with requirements of NASD Trade Reporting and ADF rules.                                                                                                                                                 | From trade dates January 7 to 9, 2008.                                                                                             |
| 49                  | Customer confirmations prepared and maintained in connection with the above samples, for compliance with SEC Rule 10b-10 disclosure requirements.                                                                                                                                                                  | From trade dates January 7 to 9, 2008.                                                                                             |
| 12                  | CRD registration records for persons conducting and/or supervising the member's trading and market making activities, for compliance with NASD Rule Series 1020, 1030 and 1040, and Nasdaq Rule Series 1020, 1030 and 1040.                                                                                        | List of trading personnel for January 2008.                                                                                        |
| N/A                 | The member's supervisory system, written supervisory procedures ("WSPs") and documents evidencing the implementation of the WSPs, for compliance with NASD Rule 3010 requirements to establish and implement a system that is reasonably designed to prevent and detect violations of applicable securities rules. | WSPs provided by the member as those in effect during Jan. 2008, and documentation of supervisory reviews conducted for Jan. 2008. |
| N/A                 | The member's "Regular & Rigorous" review procedures (for assessing the execution quality of orders sent to other trading centers and/or internalized, for compliance with NASD Rules 2320 and 3010.                                                                                                                | Procedures provided by the member as those in effect during January 2008.                                                          |