

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008011647001**

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

RE: Avalon Partners, Inc.
BD No. 41357

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Avalon Partners, Inc. ("Respondent" or "Avalon" or "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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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

Avalon has been a member of FINRA since April 7, 1997. The firm operates as an introducing firm and conducts a general retail business. It has two locations, in New York and on Long Island.

RELEVANT DISCIPLINARY HISTORY

Avalon entered into an AWC with FINRA in October 2008, in which the Firm consented to findings that it failed to develop and implement policies and procedures designed to detect and cause reporting of suspicious transactions and to achieve compliance with the Bank Secrecy Act and the implementing regulations promulgated thereunder by the Department of the Treasury. The Firm, without admitting or denying, consented to findings that it violated NASD Rule 3011, and other rules, and agreed to a \$20,000 fine and a censure.

OVERVIEW

Between January 2004 and April 2006, Avalon failed to properly adhere to NASD Conduct Rule 3011, by failing to obtain certain CIP information. In addition, between January 2006 and March

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2008, Avalon failed to properly adhere to NASD Conduct Rule 2860 through inadequate documentation of information concerning options accounts, NASD Conduct Rule 2510 by failing to adhere to requirements concerning discretionary trading accounts, and NASD Conduct Rules 3012 and 3013 through inadequate adherence to the requirements of those rules.

FACTS AND VIOLATIVE CONDUCT

1. In five instances between January 2004 and April 2006, Avalon opened accounts for corporate customers without obtaining appropriate customer ~~identity~~ verification information or properly verifying the customers' identities. By reason of the foregoing, the firm violated NASD Conduct Rules 3011 and 2110. *identities RB*
2. Between January 2006 and March 2008, Avalon opened and traded in options accounts despite inadequate compliance with NASD Conduct Rule 2860. A review of 52 options accounts opened during this period generally revealed deficiencies in options account documentation. By reason of the foregoing, the firm violated NASD Conduct Rules 2860 and 2110.
3. Between January 2006 and March 2008, Avalon failed to approve discretionary trading accounts and failed to review discretionary trading. By reason of the foregoing, the firm violated NASD Conduct Rules 2510 and 2110.
4. Between January 2006 and March 2008, Avalon violated NASD Rule 3012 by failing to have adequate procedures in place for testing the firm's supervisory procedures and failing to have adequate policies and procedures for supervising its producing manager. In addition, the firm did not submit to its senior management an annual report as required by NASD Rule 3012 in 2006 or 2007. The firm further failed to designate a Chief Compliance Officer. By reason of the foregoing, the firm violated NASD Conduct Rules 3012, 3013, and 2110.

OTHER FACTORS

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

- A censure; and
- A fine of \$21,000.

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.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against it;
- B. To be notified of the 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 FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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 FINRA 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 Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; 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 my 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.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understand all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent 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.

7/27/2011
Date (mm/dd/yyyy)

Avalon Partners, Inc.

By: [Signature]

Print Name: Vincent An

Print Title: CEO

Reviewed by:

[Signature]
Richard J. Babnick Jr., Esq.
Counsel for Respondent
Sichenzia Ross Friedman Ference LLP
61 Broadway, 32nd Floor
New York, New York 10006
Telephone: (212) 930-9700

Accepted by FINRA:

August 11, 2011
Date

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

[Signature]
Kathryn M. Wilson
Principal Regional Counsel
FINRA Department of Enforcement
One Liberty Plaza
New York, NY 10006
212-858-4298 (phone); 212-858-4770 (fax)