

FINANCIAL INDUSTRY REGULATORY AUTHORITY RECEIVED
LETTER OF ACCEPTANCE, WAIVER AND CONSENT

NO. 20080136154

2008 JUL 11 A 12:42

REGISTRATION & DISCLOSURE

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

RE: Tradition Asiel Securities Inc., Respondent
Member
CRD No. 28269

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, Tradition Asiel Securities Inc. ("Tradition Asiel" or the "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. 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

Respondent is a registered broker-dealer and has been a member of the NASD (now FINRA) since September 16, 1991 and the New York Stock Exchange since June 30, 2000. Respondent employs approximately 176 registered persons and deals primarily with institutional customer accounts.

RELEVANT PRIOR DISCIPLINARY HISTORY

In Tradition Asiel Securities Inc., AWC No. E102004041201 (Apr. 5, 2006), Respondent entered into a Letter of Acceptance, Waiver and Consent and agreed to a payment of \$30,000 fine, based upon its (1) failure to develop and implement an adequate anti-money laundering program in violation of NASD Conduct Rules 3010 and 2110; (2) incorrectly reporting certain transactions to the Trace

Reporting and Compliance Engine in violation of NASD Marketplace Rule 6230; and (3) reporting certain municipal rule transactions late or incorrectly to the Municipal Securities Rulemaking Board in violation of MSRB Rule G-14.

OVERVIEW

During the period from approximately March 2006 to April 2007 (the "relevant period"), a research analyst associated with Tradition Asiel produced a weekly research report (the "Research Report"). As detailed below, Tradition Asiel failed to adequately supervise the research analyst and his handling of the Research Report in violation of NASD Conduct Rules 3010(a) and (b), 2711(i), and 2110.

FACTS AND VIOLATIVE CONDUCT

Inadequate Supervision

NASD Conduct Rules 3010(a) and (b) and 2110

During the relevant period, Tradition Asiel had one employee performing research. He was responsible for writing and distributing the Research Report to approximately 40 institutional customers via email. Tradition Asiel did not designate a supervisory employee, apart from the research analyst, to review or approve the Research Reports. As a result, Tradition Asiel permitted the research analyst to write, review, and approve his own Research Reports.

Tradition Asiel represented that the compliance department was responsible for reviewing and approving the Research Reports, and that it was the research analyst's responsibility to provide the compliance department with copies of the Research Report. However, Tradition Asiel's written procedures did not include this requirement.

Such acts, practices, and conduct constitute a violation by Tradition Asiel of NASD Conduct Rule 3010(a), which requires a FINRA member to establish and maintain a system to supervise the activities of each registered representative reasonably designed to achieve compliance with applicable rules; and NASD Conduct Rule 3010(b), which requires a FINRA member to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives reasonably designed to achieve compliance with applicable rules. Such conduct is also a violation by Tradition Asiel of NASD Conduct Rule 2110, which requires FINRA members to observe high standards of commercial honor and just and equitable principles of trade.

Inadequate Supervisory Procedures for Research Analysts and Research Reports
NASD Conduct Rules 2711(i) and 2110

During the relevant period, Tradition Asiel's research analyst violated certain provisions of NASD Conduct Rules 2711 and 2110. By failing to adopt, implement, and enforce certain of its written supervisory procedures relating to its research analysts, Tradition Asiel failed to detect and prevent the violations.

Tradition Asiel's written procedures with respect to securities transactions by research analysts restricted transactions in any security followed by a research analyst for a period of 30 calendar days before and 5 calendar days after the publication of a research report concerning the company. The written procedures also required a designated supervisor to review the research analyst's personal account transactions. Although the Firm was reviewing the research analyst's personal account transactions, during the period from on or about April 3, 2006, until on or about February 1, 2007, Tradition Asiel permitted him to execute 14 purchases or sales of securities issued by companies that were followed in the Research Report in his personal account, during a period beginning 30 calendar days before and ending five calendar days after the publication of the Research Report, in violation of NASD Conduct Rule 2711(g)(2).

In addition, Tradition Asiel's written procedures with respect to research disclosures required an analyst to disclose, in a research report, any financial interest in the securities covered. However, the period from on or about March 30, 2006, until on or about January 29, 2007, Tradition Asiel permitted its research analyst to issue 20 Research Reports in which he failed to disclose that he held securities of the companies covered by the Research Reports, in violation of NASD Conduct Rule 2711(h)(1)(A).

Tradition Asiel's written procedures also provided sample disclosures, including a sample "explanation of ratings," which defined the "buy," "hold," and "sell" ratings as either "attractively valued," "appropriately valued," or "over valued" in comparison with "the market over the next 12 months." However, the procedures were inadequate in that they did not require further identification of "the market." As a result, during the relevant period, Tradition Asiel permitted its research analyst to issue 49 Research Reports without adequately defining the meaning of each rating used in the Research Reports, in violation of NASD Conduct Rule 2711(h)(4).

Such acts, practices, and conduct constitute separate and distinct violations by Tradition Asiel of NASD Conduct Rule 2711(i), which requires FINRA members to adopt and implement written supervisory procedures reasonably designed to ensure that the member and its employees comply with the provisions of NASD

Conduct Rule 2711. Such conduct is also a violation by Tradition Asiel of NASD Conduct Rule 2110, which requires FINRA members to observe high standards of commercial honor and just and equitable principles of trade.

- B. Respondent also consents to the imposition of the sanctions of a censure and a \$65,000 fine.

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 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 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.

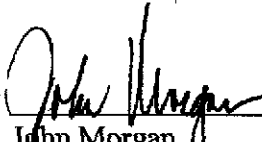
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement 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 understood 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 Respondent to submit it.

Tradition Asiel Securities Inc.
Respondent

JUN - 5 2008

Date

By: 

John Morgan
Chief Compliance Officer

Accepted by FINRA:

7/9/08

Date

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



Linda Riefberg
Vice President
FINRA Department of Enforcement
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