

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090163496 01**

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

RE: Nanes, Delorme Capital Management LLC, Respondent
CRD No. 104135

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Nanes, Delorme Capital Management LLC ("Nanes-Delorme" 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 the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Nanes-Delorme 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

Nanes-Delorme became registered as a member firm with FINRA on December 4, 2000, and its registration remains in effect. The Firm is located in New York City and currently employs five registered persons. At all relevant times, the Firm has primarily engaged in securities transactions on an agency basis.

RELEVANT DISCIPLINARY HISTORY

The Firm has no disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities regulator.

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OVERVIEW

1. From approximately August 2006 through April 13, 2010, Nanes-Delorme failed to (a) preserve all emails as required, (b) adequately test the Firm's storage recording process, and (c) designate a third party with access to, and the ability to download, information from the Firm's electronic storage media to another acceptable medium to allow FINRA access to the information. By its conduct, the Firm violated Section 17(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), SEC Rules 17a-4(b)(4) and 17a-4(f) thereunder, NASD Rules 3110(a) and 2110, and FINRA Rule 2010.
2. From January 2007 through September 30, 2009, the Firm failed to retain records evidencing supervisory review of email correspondence of registered representatives relating to the Firm's securities business. By its conduct, the Firm violated NASD Rules 3010(d)(3) and 2110 and FINRA Rule 2010.
3. During a review period of April 17, 2007 to January 7, 2009, the Firm failed to report and failed to correctly report to Trade Reporting and Compliance Engine ("TRACE") certain transactions in TRACE-eligible securities effected prior to December 15, 2008. By its conduct, the Firm violated NASD Rule 6230(b) and (c).
4. In connection with fifteen corporate bond transactions executed during the period April 2007 through January 2009, the Firm failed to prepare brokerage order memorandum as required by SEC Rule 17a-3(6)(i). By reason of the foregoing, the Firm violated SEC Rule 17a-3(a)(6)(i) and NASD Conduct Rules 3110 and 2110 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. Electronic Correspondence

a. Failure to Preserve Emails in Easily Accessible Form

From August 2006 through April 13, 2010, Nanes-Delorme failed to preserve for a period of not less than three years, the first two years in an easily accessible form, all email correspondence relating to the Firm's business. For example, emails involving research and emails viewed by the Firm as "administrative" or "technical," were deleted.

Additionally, emails were not indexed, and were not easily located. Consequently, the Firm was not able to locate various emails sent or received in 2009 in response to FINRA staff requests in 2010. By reason of the foregoing, the Firm violated Section 17(a) of the Exchange Act, SEC Rule 17a-4(b)(4) thereunder, and NASD Conduct Rules 3110 and

2110 and FINRA Rule 2010.

b. Failure to Preserve Emails in Required Format

From August 2006 through April 13, 2010, Nanes-Delorme failed to preserve all emails relating to the Firm's securities business exclusively in a non-rewriteable, non-erasable format as required by SEC Rule 17a-4(f)(2)(ii)(A). Not only were individual email users able to delete emails, in which case, they would not be stored, the medium that the Firm used to back-up and store emails was rewriteable and erasable. By reason of the foregoing, the Firm violated Section 17(a) of the Exchange Act, SEC Rule 17a-4(f)(2)(ii)(A) thereunder, NASD Rules 3110(a) and 2110, and FINRA Rule 2010.

c. Failure to Verify the Recording Process and Have in Place an Audit System

From August 2006 through April 13, 2010, the electronic storage media used by the Firm, did not verify automatically the quality and accuracy of the storage media process, as required by SEC Rule 17a-4(f)(2)(ii)(B). Additionally, the Firm did not have in place an audit system providing for accountability regarding inputting of records required to be maintained and preserved to electronic storage media, as required by SEC Rule 17a-4(f)(3)(v). By reason of the foregoing, the Firm violated Section 17(a) of the Exchange Act, SEC Rule 17a-4(f)(2)(ii)(B) and SEC Rule 17a-4(f)(3)(v) thereunder, respectively, and NASD Conduct Rule 2110 and FINRA Rule 2010.

d. Failure to Engage Third Party

During the period of August 2006 through April 13, 2010, the Firm failed to engage at least one third party who has access to, and the ability to, download information from the Firm's electronic storage media to another acceptable medium, and who undertakes to promptly furnish to FINRA information to necessary for downloading information from the Firm's electronic storage system and provide access to information contained on the Firm's storage system. By reason of the foregoing, the Firm violated Section 17(a) of the Exchange Act, SEC Rule 17a-4(f)(3)(vii) thereunder, and NASD Conduct Rule 2110 and FINRA Rule 2010.

2. Failure to Evidence Supervision of Email Correspondence

For January 2007 through September 30, 2009, Nanes-Delorme failed to retain records evidencing supervisory review of email correspondence of registered representatives relating to the Firm's securities business. By its conduct, the Firm violated NASD Rules 3010(d)(3) and 2110 and FINRA

Rule 2010.

3. Deficient TRACE Reporting

- a. During a review period of April 17, 2007 to January 7, 2009, Nanes-Delorme failed to report to TRACE three (3) transactions in TRACE-eligible securities that it was required to report. These transactions, which were effected prior to December 15, 2008, constituted 20% of the transactions in TRACE-eligible securities that the Firm was required to report to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(b)(2).
- b. During the same review period (April 17, 2007 to January 7, 2009), the Firm failed to report to TRACE the correct price for seven (7) transactions in TRACE-eligible securities. These inaccurate reports, which were made prior to December 15, 2008, constituted 45% of the reports that the Firm submitted to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(c)(3).

4. Deficient Order Memoranda

In connection with fifteen corporate bond transactions executed during the period April 17, 2007 through January 7, 2009, Nanes-Delorme failed to prepare brokerage order memoranda as required by SEC Rule 17a-3(6)(i), in that:

- a. Eight (8) order memoranda did not show the account for which the order was entered;
- b. Nine (9) order memoranda did not show the time the order was received;
- c. Fifteen (15) order memoranda did not show time of order entry;
- d. Six (6) order memoranda did not show time of execution; and
- e. Seven (7) order memoranda did not show the identity of each associated person responsible for the account.

By reason of the foregoing, the Firm violated SEC Rule 17a-3 (a)(6)(i) and NASD Conduct Rules 3110 and 2110 and FINRA Rule 2010.

B. Nanes-Delorme also consents to the imposition of the following sanctions:

- A censure and;
- A fine in the amount of \$15,000.¹

¹ Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the Firm's revenues and financial resources. See Notice to Members 06-55.

The Firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable.

The Firm 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 imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Nanes-Delorme 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, 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 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

Nanes-Delorme understands that:

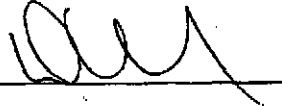
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against 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 FINRA Rule 8313; 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 undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf 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 the Firm to submit it.

06/28/2011
Date (mm/dd/yyyy)

Nanes, Delorme Capital Management LLC

By: 

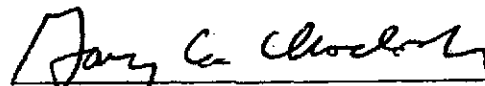
Print Name: _____

Print Title: **Daryl Nanes** CLO + CCO
Nanes Delorme Capital Management

Accepted by FINRA:

July 14, 2011
Date

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



Gary A. Chodosh
Senior Regional Counsel
FINRA Department of Enforcement
One Liberty Plaza, 48th Floor
New York, New York 10006
Tel. No.: (212) 858-4771; Fax No.: (202) 721-6564

CORRECTIVE ACTION STATEMENT
JUNE, 2011
NANES DELORME CAPITAL MANAGEMENT LLC

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

The firm takes its compliance responsibilities very seriously which should be evident from its unblemished disciplinary history from its inception in 2000 through 2010. It took immediate corrective action to address the deficiencies noted by FINRA staff. With respect to its email preservation system, the firm has engaged USA.NET (formerly SECCAS) which provides an archiving solution that securely stores all incoming and outgoing emails while providing each user access to his archive through a web-based portal. It safely stores the firm's messages off-site in a secure data center and will facilitate requests from regulators when necessary while maintaining the firm's business continuity. The firm's principal and Chief Compliance Officer is also evidencing his review of emails by maintaining a log. In addition, in the event that the firm seeks to engage in Trace eligible transactions in the future, it will make every effort to be fully compliant in its technical reporting obligations and ensure that its related order memoranda more clearly reflect all pertinent information.