

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. C06040042

TO: Department of Enforcement
NASD

RE: Investors Brokerage of Texas, Ltd.
Member Firm
CRD No. 13037

Pursuant to Rule 9216 of the NASD Code of Procedure, Investors Brokerage of Texas, Ltd. ("Respondent"), submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against Respondent alleging violations based on the same factual findings.

Respondent understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against it; and
3. If accepted:
 - a. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by the NASD or any other regulator against it;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about Respondent's disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. 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 allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects Respondent's testimonial obligations or right to take legal positions in litigation in which the

000035129 2011

NASD is not a party.

Respondent also understands that its experience in the securities industry and disciplinary history may be factors which will be considered in deciding whether to accept this AWC. That experience and history are as follows:

During all periods mentioned herein, Investors Brokerage of Texas, Ltd. was a registered broker dealer with the Securities and Exchange Commission and a member of the Association, which registration and membership remain in effect. For the past five years, the firm has not been the subject of any disciplinary action.

I.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under the NASD'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 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 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.

II.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the allegations, and solely for the purposes of this proceeding, to the entry of the following findings by NASD:

NASD Conduct Rule 3011, which became effective on April 24, 2002, requires NASD members to develop and implement a written anti-money laundering program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act, 31 U.S.C. §5311, et seq., and the regulations promulgated thereunder. NASD issued numerous communications to its members regarding the requirement to have an anti-money laundering program and that the requirement applied to all member firms. Among other things, NASD communicated the requirement in Notice to Members 02-21 in April 2002 to notify NASD members of this requirement and reiterated this requirement in subsequent Notices to Members 02-47 (August 2002), 02-50 (August 2002), 02-78 (November 2002), 02-80 (December 2002), and 03-34 (June 2003).

- From April 24, 2002 through March 11, 2004, Investor's Brokerage failed to develop and implement a written anti-money laundering program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act, 31 U.S.C. §5311, et seq., and the regulations promulgated thereunder, in violation of Rule 3011.

Specifically, among other ways, the firm's AML program was deficient in the following respects:

1. The program had not been approved in writing by senior management of the firm;
2. The program did not provide for independent testing;
3. The program did not designate an AML Compliance Officer;
4. The program could not reasonably be expected to detect and report suspicious activity. For example, the program did not adequately address how "red flags" for money laundering would be handled should they be detected;
5. The program did not adequately establish a Customer Identification Program;
6. The program did not have internal controls regarding the freezing of accounts and prohibiting transactions with persons who are suspected of terrorist activities pursuant to Executive Order #13224 that was issued through OFAC;
7. The program did not have internal controls to address the receipt of currency and the filing of CTR reports and FBAR reports;
8. The program did not have internal controls for the filing of reports for international transactions; and

9. The program did not have procedures addressing how compliance for AML would be documented as well as the five year record keeping requirement.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 2110, and 3011 by Respondent Investors Brokerage of Texas, Ltd.

- B. We also consent to the imposition, at a maximum, of the following sanctions:

A censure and monetary fine of \$10,000 against Respondent Investors Brokerage of Texas, Ltd.

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

III.

OTHER MATTERS

- A. Respondent understands that it may attach a Corrective Action Statement to this AWC which 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 NASD, nor does it reflect the views of NASD or its staff.
- B. Respondent agrees to pay any monetary sanctions imposed on it upon re-entry as noted above and have attached an Election of Payment form showing the method by which it proposes to pay any fine imposed.
- C. Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

