

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO C10050057

TO: Department of Enforcement
NASD

RE: Equity Trading Online, LLC
(BD No. 104038)

and

██████████
(CRD No. ██████████)

Pursuant to Rule 9216 of NASD Code of Procedure, Respondents Equity Trading Online, LLC (hereinafter "ETO") and ██████████ (hereinafter ██████████) submit 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 Respondents alleging violations based on the same factual findings.

Respondents understand 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") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), 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 Respondents; and
3. If accepted:
 - a. this AWC will become part of Respondents' permanent disciplinary records and may be considered in any future actions brought by NASD against Respondents;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about Respondents' disciplinary records;

- 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. Respondents 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 Respondents' testimonial obligations or right to take legal positions in litigation in which NASD is not a party.

Respondents also understand that their experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

ETO has been a member of NASD since November 29, 2000. The firm is, *inter alia*, a municipal securities broker and employs approximately 13 registered persons. The firm has no prior disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities regulator.

██████ first became registered with NASD on October 11, 1996, as a General Securities Representative ("GSR") through an association with a member firm. He is currently registered as a GSR, General Securities Principal, and Equity Trader Limited Representative through his association with ETO. In addition, he is a Managing Member and the Chief Compliance Officer of ETO. ██████ has no prior disciplinary history with the Securities and Exchange Commission, any self-regulatory organization or any state securities regulator.

I.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against them;
- 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, Respondents specifically and voluntarily waive 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.

Respondents further specifically and voluntarily waive 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. Respondents hereby accept and consent, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD 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 NASD:

1. From in or around November 11, 2002, through in or around November 17, 2003, ETO, acting through [REDACTED] permitted JS to park his registration with ETO. Specifically, JS was permitted to maintain his registration as a General Securities Representative through his purported association with ETO, when in fact he was not actively involved in ETO's securities or investment banking business or otherwise functioning as a representative of the firm during this period. Based on the foregoing, ETO and [REDACTED] violated NASD Membership and Registration Rule 1031(a) and NASD Conduct Rule 2110;

2. From in or around September 24, 2001 to in or around March 3, 2004, ETO, acting through [REDACTED] failed to properly designate an ETO office located in New Jersey office as an Office of Supervisory Jurisdiction. At this New Jersey office, *inter alia*, ETO executed orders for municipal securities transactions. Based on the foregoing, ETO and [REDACTED] acted in contravention of Article IV, Section 8 of NASD's By-Laws and NASD IM-1000-4, and violated NASD Conduct Rule 2110;

3. From in or around April 1, 2003, to in or around June 30, 2003, ETO failed to accurately report certain municipal securities transactions to the Municipal Securities Rulemaking Board ("MSRB"). Specifically, NASD reviewed a sampling of 195 transactions effected during this period and found that ETO (i) inaccurately reported the capacity for 33.34% of the transactions; (ii) published an extraneous transaction report for 34% of the transactions; (iii) failed to timely report for 9.7% of the transactions; and (iv) inaccurately reported interdealer transactions as customer transactions for 2.5% of the transactions. Based on the foregoing, ETO violated MSRB Rule G-14; and
4. From in or around April 1, 2003, to in or around June 30, 2003, ETO failed to accurately report the capacity on certain customer confirmations. Specifically, NASD reviewed a sampling of 65 customer confirmations for transactions effected during this period and found that in every instance ETO inaccurately reported the transactions as having been executed in an "Agency" capacity, rather than a "Principal" capacity. By reason of the foregoing, ETO violated MSRB Rule G-15.

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

- ETO and [REDACTED] to be censured;
- [REDACTED] and ETO to be jointly and severally fined \$6,000; and
- ETO to be additionally fined \$7,500. ✓✓

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

III.

OTHER MATTERS

- A. Respondents understand that they may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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. Respondents agree to pay any monetary sanctions imposed on them upon notice that this AWC has been accepted and that such payments are due and payable.

- C. Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Respondents certify that they have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce them to submit it.

5/26/05
Date

Respondent Equity Trading Online, LLC

By:

Richard J. Wolff
Chief Compliance Officer

5/26/05
Date

Accepted by NASD:

June 22, 2005
Date

Christina Kang
Christina Kang
Regional Attorney, District 10
Department of Enforcement

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