

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. C8A050026

TO: Department of Enforcement
NASD

RE: Delano Group Securities, L.L.C.
(CRD No. 47619)

Pursuant to Rule 9216 of NASD Code of Procedure, Delano Group Securities, L.L.C. ("Member") 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 the Member alleging violations based on the same factual findings.

The Member 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 the Member; and,
3. If accepted:
 - a. this AWC will become part of the Member's permanent disciplinary records and may be considered in any future actions brought by NASD or any other regulator against the Member;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about the Member's 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. the Member 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 the Member's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

The Member also understands that its 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:

Delano Group Securities, L.L.C. became a member of NASD and became registered with the Securities and Exchange Commission ("SEC") on October 8, 1999. The Member conducts a general securities business on a fully disclosed basis. The Member's membership with NASD and registration with the SEC remain currently in effect, and the Member has not been subject to any disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

The Member specifically and voluntarily waives the following rights granted under 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, the Member 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 Member 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. The Member hereby accepts and consents, 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:

Failure to Implement an AML Program **NASD Conduct Rules 2110 and 3011**

1. 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 Notice to Members 02-21 in April 2002 to notify NASD members of this requirement. NASD 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).
2. Despite the requirement that the Member monitor compliance with the requirements of the Bank Secrecy Act, 31 U.S.C. §5311, *et seq.*, and the regulations promulgated thereunder, and despite the notifications from NASD as described above, from April 24, 2002 through February 26, 2004, the Member had an inadequate written anti-money laundering program. The Member's written procedures fell short of meeting the requirements of NASD Rule 3011, in that they failed to:
 - a. Show the approval of the AML Compliance Program in writing by senior management of the Member;
 - b. Identify by name, title, mailing address, e-mail address, telephone number, and facsimile number an individual responsible for implementing and monitoring the Member's Anti-Money Laundering Program;
 - c. Contain policies, procedures and internal controls to achieve compliance with the Bank Secrecy Act and implementing regulations including maintaining an adequate customer identification program, ("CIP") in that the procedures failed to: have risk-based procedures for

verifying the identity of each customer; address the maintenance of records of all information used to verify a customer's identity; and, address the notification requirement to customers regarding the Member's verification of customer identities;

- d. Contain procedures to protect the security and confidentiality of the information requests from FinCEN and procedures for sharing information with other financial institutions;
 - e. Contain procedures for providing information regarding correspondent accounts for foreign banks to federal law enforcement officers not later than seven days after the receipt of request;
 - f. Contain procedures to terminate correspondent relationships with a foreign bank not later than ten business days after notification by the Secretary of the Treasury or the Attorney General that the firm has failed to comply with a summons or contested a summons;
 - g. Contain procedures for independent testing of the Member's Anti-Money Laundering Compliance Program by the Member's personnel or by a qualified outside party;
 - h. Require on-going training of appropriate personnel;
 - i. Conduct a due diligence review for correspondent accounts of foreign financial institutions;
 - j. Require the determination of the identity of the nominal and beneficial account holders and the source of funds deposited into "private banking accounts," and to conduct enhanced scrutiny of accounts of a senior foreign political figure;
 - k. Contain internal controls that detect any attempt to open private banking accounts for non-residents of the United States;
 - l. Identify cash transactions for filing Currency Transaction Reports ("CTRs");
 - m. Contain internal controls to detect the receipt of currency by its representatives;
 - n. Detail requirements to verify the identity of customers for filing CTRs;
 - o. Contain requirements for filing reports of International Transportation of Currency or Monetary Instruments; and,
 - p. Contain procedures for filing Suspicious Activity Reports ("SAR-SF").
3. Despite the requirements of the Bank Secrecy Act, 31 U.S.C. 31 U.S.C. §5311, *et seq.*, and the regulations promulgated thereunder.

and despite the notifications from NASD as described above, from October 1, 2003 through February 26, 2004, the Member failed to implement an adequate Anti-Money Laundering CIP in that the Member failed to evidence that the Member:

- a. Verified the identity of customers and the information used to identify the customers for 14 new accounts; and,
 - b. Provided written notice that the broker/dealer requested information to verify the customers' identity for 14 new accounts.
4. Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 3011 by the Member.
- B. The Member also consents to the imposition, at a maximum, of the sanctions of a censure and a \$10,000 fine against the Member.

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

III.

OTHER MATTERS

- A. The Member understands that it may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Member also 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. The Member agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and payable and has attached an Election of Payment form showing the method by which it proposes to pay any fine imposed.
- C. The Member 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.

3/14/05
Date

By DAVID ASPLUND
Its PRESIDENT

April 28, 2005
Date

Page 6