

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
DEPARTMENT OF MARKET REGULATION
CLG050012

TO: Department of Market Regulation
NASD

RE: GFI Securities I.I.C., Respondent
Broker/Dealer
CRD Number 19982

Pursuant to Rule 9216 of NASD Code of Procedure, GFI Securities LLC ("GFIG" 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 in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against GFIG alleging violations based on the same factual findings.

GFIG 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 Market Regulation and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs, 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 GFIG; and
3. If accepted:
 - a. this AWC will become part of GFIG's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against the firm;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about GFIG'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. GFIG 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 GFIG's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

GFIG 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 relevant history are as follows:

GFIG has been a member of NASD since July 1987 and its registration remains in effect. The firm's relevant disciplinary history is as follows:

- On May 22, 2002, an AWC became final in which the firm was censured and fined \$25,000 for violations of NASD Rules 2110 and 6620(a).
- On July 18, 2000, an AWC became final in which the firm was censured and fined \$7,500 for violations of NASD Rules 2110, 4632(a), and 6620(a).

I.

WAIVER OF PROCEDURAL RIGHTS

GFIG 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 GFIG;
- 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, GFIG 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.

GFIG 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

In connection with MRD200445559, the staff of the Department of Market Regulation of NASD (the "staff") conducted a review of the transactions GFIG reported to the Automated Confirmation Transaction Service ("ACT") for the period January 1, 2004 through March 31, 2004.

A. GFIG 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:

1. GFIG failed to accept or decline in ACT 321 transactions in eligible securities within twenty minutes after execution, approximately 17 percent of all transactions that GFIG had an obligation to accept or decline in ACT as the OELD during the review period.
2. The conduct described in paragraph one constitutes separate and distinct violations of NASD Marketplace Rule 6130(b) and a violation of NASD Conduct Rule 2110.
3. GFIG's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of NASD, concerning ACT reporting. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.
4. The conduct described in paragraph three constitutes a violation of NASD Conduct Rules 2110 and 3010.

- B. GFIG also consents to the imposition, at a maximum, of the following sanctions:

A censure, a fine of \$25,000 (comprised of a \$20,000 fine for the ACT violations and a \$5,000 fine for the supervision violations), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph three. Within 30 business days of acceptance of this AWC by the NAC, a registered principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph three; and, (3) the date the revised procedures were implemented.

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

III.

OTHER MATTERS

- A. GFIG understands that it may attach a Corrective Action Statement to this AWC, which is a statement by the Respondent of demonstrable corrective steps taken to prevent future misconduct. Respondent 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. GFIG 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 have attached the election of payment form showing the method by which it proposes to pay any fine imposed.
- C. GFIG specifically and voluntarily waives any right to claim that GFIG is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

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GFI Securities LLC certifies that a duly authorized officer has read and understood all of the provisions of this AWC and has 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 GFIG to submit it.

GFI Securities LLC

Date: 12/20/04

By: William S. Hilly
Name: William S. Hilly
Title: COO

Reviewed by:

Counsel for Respondent

Accepted by NASD:

2/7/05
Date

Thomas R. Gira
Thomas R. Gira
Senior Vice President
Market Regulation

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

Attachments:
Standard Election of Payment Form