

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E052004018001**

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REGISTRATION & DISCLOSURE

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

RE: Associated Bond Brokers, Inc., Respondent
[CRD No. 32114]

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, Associated Bond Brokers, Inc., 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 us alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. We hereby accept and consent, 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

Associated Bond Brokers, Inc. has been a member of FINRA (f/k/a National Association of Securities Dealers or NASD) since May 12, 1993. During all periods mentioned herein, Associated Bond Brokers, Inc. was a registered broker-dealer with the United States Securities and Exchange Commission, a member of FINRA and a member of the Municipal Securities Rulemaking Board. Associated Bond Brokers, Inc. has not previously been the subject of any relevant formal disciplinary action by any regulatory body.

OVERVIEW

Associated Bond Brokers, Inc. functions as a municipal securities broker's broker. This case involves the firm's changing of bids submitted to purchase municipal bonds without the knowledge of the bidding or selling broker-dealer, and the failure to establish written supervisory procedures to provide guidance to its registered representatives regarding the communication of competing bid information to bidding broker dealers. The firm also

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failed to include in its written supervisory procedures a system to adequately monitor such communications and failed to preserve electronic communications. For this conduct, the firm is being censured and fined \$100,000.

Function of a Broker's Broker

A municipal securities broker's broker is a broker-dealer that executes purchases and sales of securities exclusively with other municipal securities broker-dealers. Typically, a selling broker-dealer will enlist the services of a broker's broker to obtain bids for municipal securities it wishes to sell. The broker's broker will notify potential bidders of the available securities via telephone, electronic correspondence, or the broker's broker's website. This method is known as a bid wanted auction. The broker's broker accepts bids and at the end of the auction time period, notifies the selling broker-dealer of the highest bid. If that bid is accepted, the municipal securities are sold to the highest bidding broker-dealer. During the bidding process, the broker's broker will not inform the bidders of bids received from other broker-dealers. The second highest bid is called the "cover bid" and is not revealed to the winning bidder until the bidding process is completed. Additionally, during the auction time period, no information regarding bids received which would in any way influence their bids is provided to the bidding firms.

FACTS AND VIOLATIVE CONDUCT

1. During the period from on or about September 12, 2002 through on or about September 19, 2003, Associated Bond Brokers, Inc., acting in the capacity of a broker's broker, and in connection with the purchase and sale of municipal securities, in nine instances lowered the bid of the highest bidding broker-dealers to levels closer to the cover bid. Associated Bond Brokers, Inc. did so without the prior knowledge or consent of the bidding broker-dealer. Additionally, Associated Bond Brokers, Inc. did not inform the selling broker-dealer of the higher bid submitted by the highest bidding broker-dealer. Associated Bond Brokers, Inc.'s conduct deprived the selling broker-dealer of receiving a higher sale price.

Such acts, practices, and conduct constitute separate and distinct violations of Municipal Securities Rulemaking Board G-17 by Associated Bond Brokers, Inc.

2. During the period from on or about July 1, 2002 through on or about March 31, 2004, Associated Bond Brokers, Inc., failed to establish, maintain and enforce adequate written procedures and systems to supervise its business, specifically with respect to its conduct as a broker's broker. Specifically, the firm's procedures did not provide guidelines or

policies for its registered representatives regarding the communication of competing bid information to bidding broker-dealers. Additionally, the firm's procedures did not provide a system that adequately monitored the information provided to broker-dealers during the bidding process, in violation of MSRB Rule G-27.

Such acts, practices, and conduct constitute separate and distinct violations of MSRB Rule G-27 by Associated Bond Brokers, Inc.

3. During the period from on or about July 1, 2002 through on or about March 31, 2004, Associated Bond Brokers, Inc., failed to preserve in an easily accessible place its electronic communications received and sent (including inter-office memoranda and communications).

Such acts, practices, and conduct constitute separate and distinct violations of MSRB Rule G-9 by Associated Bond Brokers, Inc.

- B. We also consent to the imposition of the following sanctions:

A censure and a monetary fine in the amount of \$100,000 to be assessed against Associated Bond Brokers, Inc.

We agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. We have submitted an Election of Payment form showing the method by which we propose to pay the fine imposed.

We specifically and voluntarily waive any right to claim that we are 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

We specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, we 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.

We further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of NASD Rule 9143 or the separation of functions prohibitions of NASD 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

We understand 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 NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against us; and
- C. If accepted:
 - 1. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against us;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about our disciplinary record;

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3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
4. We 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. We 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 our right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. We may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we 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.

We certify that we have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that we have 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.

11-7-07
Date

Associated Bond Brokers, Inc.

By: Pamela M. Miller
Pamela M. Miller / President
[Name and Title]

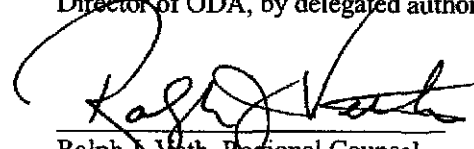
Reviewed by:

Cl. R. Fuchs
Counsel for Respondent
Accepted by FINRA:

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November 19, 2007
Date

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

A handwritten signature in black ink, appearing to read "Ralph J. Veth", is written over a horizontal line.

Ralph J. Veth, Regional Counsel
FINRA, Department of Enforcement
1100 Poydras Street, Suite 850
New Orleans, Louisiana 70163-0802
Phone: 504/522-6527
FAX: 504/522-4077