

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E062005001101**

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REGISTRATION & DISCLOSURE

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

RE: American General Securities Incorporated
Member Firm
CRD No. 13626

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, American General Securities Incorporated ("Respondent") 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, 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

During all periods mentioned herein, Respondent was a registered broker dealer with the Securities and Exchange Commission and a member of FINRA, whose registration remains in effect. Respondent engages in several types of business including, but not limited to, the retailing of corporate equity securities over-the-counter, the selling of corporate debt securities, and acting as a municipal securities broker. The firm currently employs approximately 1,200 registered persons and operates approximately 1,150 branch offices.

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RELEVANT PRIOR DISCIPLINARY HISTORY

Respondent's relevant prior disciplinary history consists of the following:

In January 2006, FINRA accepted an AWC (E062003000601) whereby Respondent was censured and fined \$1,127,623 for receiving directed brokerage payments in contravention of NASD Rule 2830(k); for failing to promptly forward customer checks; for failing to preserve electronic mail messages for the required time period; and for failing to have supervisory procedures reasonably designed to address directed brokerage payments, receipt and forwarding of customer checks, and preservation of electronic mail messages, all in violation of NASD Conduct Rules 2110, 2830(k), and 3110, and SEC Rules 15c3-3 and 17a-4.

OVERVIEW

Respondent American General Securities Incorporated failed to report, and failed to timely report, transaction information for corporate bond transactions. Respondent also failed to report, and failed to timely report, municipal securities transactions. Additionally, Respondent's supervisory system with regard to the reporting of corporate bond transactions, and its supervisory system with regard to the reporting of municipal securities transactions, was also deficient.

FACTS AND VIOLATIVE CONDUCT

1. During the period from April 2005 through June 2005, Respondent American General Securities Incorporated failed to report, through FINRA's Trade Reporting and Compliance Engine system (TRACE), transaction information for 86 corporate bond transactions, out of 89 reviewed. For the remaining three corporate bond transactions, one was reported three days late and two were reported with an "as of" date in August 2005.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Marketplace Rule 6230 and NASD Conduct Rule 2110 by Respondent American General Securities Incorporated.

2. During the period from June 2005 through August 2005, Respondent American General Securities Incorporated effected 27 municipal securities transactions with customers; however 10 of those transactions, together with their corresponding inter-dealer trades, were not reported to the MSRB. Of the remaining 17

customer transactions, seven of those, together with their corresponding inter-dealer trades, were reported late to the MSRB.

Such acts, practices, and conduct constitute separate and distinct violations of MSRB Rule G - 14 by Respondent American General Securities Incorporated.

3. During the period from April 2005 through June 2005, Respondent American General Securities Incorporated failed to establish, maintain, and enforce a system to supervise the activities of its registered persons reasonably designed to ensure compliance with NASD's TRACE reporting rule

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 3010 and 2110 by Respondent American General Securities Incorporated.

4. During the period from June 2005 through August 2005, Respondent American General Securities Incorporated failed to establish, maintain, and enforce a system to supervise the activities of its registered persons reasonably designed to ensure compliance with MSRB Rule G-14.

Such acts, practices, and conduct constitute separate and distinct violations of MSRB Rule G-27 by Respondent American General Securities Incorporated.

B. Respondent also consents to the imposition of the following sanctions:

Censure and a monetary fine in the amount of \$25,000.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA'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 National Adjudicatory Council ("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 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

Respondent understands 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

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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 Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
 - 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. 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 finding in this AWC or create the impression that the AWC is without factual basis. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that 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 FINRA, nor does it reflect the views of FINRA or its staff.

Respondent certifies that it has read and understands all of the provisions of this AWC and has

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been given a full opportunity to ask questions about it; that Respondent has 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 Respondent to submit it.

American General Securities Incorporated

9/21/07
Date

By: [Signature]
Signature
James Kanan
Printed Name
President/CEO
Title

Reviewed by:

[Signature]
Counsel for Respondent

Accepted by FINRA:

10/18/2007
Date

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

[Signature]
George C. McGuigan, Jr., Regional Counsel
FINRA Department of Enforcement
12801 North Central Expressway, Ste. 1050
Dallas, TX 75243
Phone: 972-716-7608; Fax: 972-716-7612