

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E072003014001

TO: Department of Enforcement
NASD

RE: **Viewtrade Securities, Inc.**, Respondent
[CRD No. 46987]
and
James J. St. Clair, Jr., Respondent
Equity Trader, Financial and Operations Principal,
General Securities Principal, General Securities
Representative, Municipal Securities Principal,
and *Municipal Securities Representative*
[CRD No. 1550599]

Pursuant to Rule 9216 of the NASD Code of Procedure, Viewtrade Securities, Inc. and James J. St. Clair, Jr. 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 us alleging violations based on the same factual findings.

We 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 us; and
3. If accepted:
 - a. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against us;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about our 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. 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 allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects our testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

We also understand that our 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:

Viewtrade Securities, Inc., has been a member of NASD since November 19, 1999. During all periods mentioned herein, Viewtrade Securities, Inc., was a registered broker-dealer with the United States Securities and Exchange Commission (the "Commission") and a member of NASD, which registration and membership remain currently in effect. Although Viewtrade Securities, Inc., has been the subject of five formal disciplinary actions in the past five years, only the following disciplinary action is relevant to this matter:

In Case No. CMS020151, the firm accepted charges for violation of NASD Marketplace Rules 6620, 6620(A), and 4632(A)(9) for failure within 90 seconds after execution to transmit through ACT last sale reports of transactions in NNM, NASDAQ small cap, and OTC equity securities. The firm consented to a censure and fine in the amount of \$10,000.

James J. St. Clair, Jr. entered the securities industry on January 2, 1987 as a General Securities Representative of J.W. Gant & Associates, Inc., a member of NASD. James J. St. Clair, Jr., during all periods mentioned herein, was associated with member firm Viewtrade Securities, Inc., and was registered with NASD under Article V of the By-Laws as an Equity Trader, Financial and Operations Principal, General Securities Principal, General Securities Representative, Municipal Securities Principal, and Municipal Securities Representative which registration remains currently in effect. On July 25, 2001, James J. St. Clair, Jr. also became registered with an affiliate of Viewtrade Securities, Inc., Viewtrade Financial, which registration remains currently in effect. James J. St. Clair, Jr. has not previously been the subject of a formal disciplinary action by any regulatory body.

I.

WAIVER OF PROCEDURAL RIGHTS

We 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 us;
- 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, 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 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. We hereby accept and consent, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding in 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. During the period on or about June 19, 2003, through on or about September 16, 2003, Viewtrade Securities, Inc., acting through James J. St. Clair, failed to establish, maintain and enforce taping procedures for the supervision of the telemarketing activities of all of its registered persons. Specifically:
 - a. The firm failed to record conversations between registered representatives and their customers. For instance, the firm failed to record any conversations between Gina Lippis and her institutional customers. Although the firm's main phone number

allowed customers to connect directly to the Compliance Department, the firm had no system in place to record conversations *between* Compliance and firm customers.

- b. The firm's taping system allowed registered representatives to circumvent the taping of conversations with customers. For instance, the configuration of the phone system for the firm's Jersey City Branch allowed registered representatives to unplug the taping system connected to the registered representative's phone and conduct untaped conversations. Furthermore, Scott E. Hughes, a registered representative in the firm's main office, had two phone lines, one recorded and one unrecorded. Hughes was able to conduct conversations on the unrecorded line. Thus, the firm failed to ensure that all conversations *between registered representatives and customers* were recorded.
- c. The firm failed to ensure that registered persons whose conversations with customers were required to be taped did not exercise control over the tape recordings produced by the taping system. For example, at least three registered persons had control over the recordings of their taped conversations and were able to prevent the home office from reviewing the tapes.
- d. The firm failed to identify a senior person with appropriate language skills and training to review the tape recordings. The firm designated Timothy P. Trittle as the person responsible for review of the tape recordings. Although Trittle became registered with NASD in 1987, Trittle never became registered with Viewtrade Securities, Inc. Viewtrade Securities, Inc. also never provided Trittle with formal training regarding review of the taped conversations between customers and sales representatives, and Trittle was not a senior person at the firm. Additionally, three registered persons spoke to customers in either Hebrew or Italian. Trittle did not speak or understand these languages, and no one else at the firm reviewed the taped conversations conducted in Hebrew or Italian.
- e. The firm had no adequate procedures for ensuring that the firm's taping rules were enforced. For example, although the tapes of at least two registered persons were not sent to the firm's main office for review, the firm never discovered that the tapes were not submitted.
- f. Although the firm prohibited use of cellular phones for transaction of business with customers, and received written

attestations from registered representatives that they were not using cell phones for transaction of business with customers, the firm did not have a system in place to detect cellular phone usage or enforce the prohibition.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rule 2110 and 3010(b)(1) and (2) by Viewtrade Securities, Inc. and James J. St. Clair, Jr.

2. On or about June 19, 2003, Viewtrade Securities, Inc., acting through James J. St. Clair, Jr., sent a signed "Certification Regarding Special Written Supervisory Procedures for Compliance with NASD 3010(b)(2)" to NASD. The certification contained material misrepresentations to NASD. Specifically, James J. St. Clair, Jr. made the following misrepresentations:

- St. Clair stated that the firm's taping system recorded all means of telecommunications at the firm when, in fact, the firm did not record the conversations of Gina Lippis until September 16, 2003, and did not record the conversations of the Associate Director of Compliance, Mark S. Griffith until after October 3, 2003; and
- St. Clair stated that the firm's registered persons did not have control over the recording of conversations. In fact, Zohar Hod, Barry S. Ward, and Peter C. Thorsen all had control over their own recordings and other registered persons had access to and used unrecorded telephone lines to speak to customers.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rule 2110 by Viewtrade Securities, Inc. and James J. St. Clair, Jr.

3. During the period on or about July 25, 2003 through on or about March 31, 2004, Viewtrade Securities, Inc., acting through James J. St. Clair, Jr., failed to establish and implement policies and procedures that were reasonably designed to achieve compliance with the Bank Secrecy Act. Although the firm's written supervisory procedures listed red flags that required investigation, the firm had no procedures to monitor its accounts for the existence of these red flags. Due to the lack of procedures, the firm failed to identify and adequately investigate suspicious account activity in the customer accounts of registered representatives Peter L. Tranquilli and Scott E. Hughes, despite the presence of numerous red flags described in the procedures. The red flags included large deposits of Regulation S stocks for no apparent reason, extensive wire activity, deposits followed by immediate wire transfer requests with no apparent business purpose, and maintenance of multiple accounts by one customer with no apparent business purpose.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 3011(a) by James J. St. Clair, Jr.

4. During the period on or about July 1, 2003 through on or about September 21, 2004, Viewtrade Securities, Inc., acting through James J. St. Clair, Jr., failed to establish a supervisory system reasonably designed to achieve compliance with the securities laws and regulations prohibiting insider trading. Specifically, Viewtrade Securities, Inc. had no supervisory procedures for review of trading in accounts maintained for publicly traded companies to determine if insiders were conducting transactions. Furthermore, Viewtrade Securities, Inc. had no supervisory procedures for review of the personal accounts maintained by the registered representatives of the publicly traded company to detect insider trading. Viewtrade also had no supervisory procedures to identify the insiders of its publicly traded customers and no procedures to monitor the trades in the insiders' accounts to detect possible insider trading violations.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rule 2110 and 3010(a) and (b) by Viewtrade Securities, Inc., and James J. St. Clair, Jr.

5. During the period on or about March 31, 2003, through on or about September 21, 2003, Viewtrade Securities, Inc., acting through James J. St. Clair, Jr., failed to establish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the Patriot Act (31 U.S.C. 5318(g)) and the implementing regulations thereunder. Regulations implemented under the PATRIOT ACT require a covered financial institution to take reasonable measures to ensure that any correspondent account it establishes, maintains, administers, or manages for a foreign bank is not being used to provide banking services indirectly to a foreign shell bank. A covered financial institution takes the reasonable measures necessary where it completes the Treasury Department Certification set forth in Appendix A to subpart I of 31 CFR 103 or in lieu of obtaining the certification, obtains the documentation required by the certification. Viewtrade Securities, Inc., a covered financial institution, failed to require three foreign bank account holders to complete the certifications required and did not otherwise obtain documentation required by the certification.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 3011(b) by Viewtrade Securities, Inc., and James J. St. Clair, Jr.

6. During the period on or about July 1, 2002 through on or about

September 21, 2003, Viewtrade Securities, Inc., acting through James J. St. Clair, Jr., failed to establish and implement any supervisory system or procedures allowing the firm to monitor, archive, and retrieve instant messages sent and received by its registered persons.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rule 2110 and 3010(a) and (b) and SEC Rule 17a-4(b)(4) by Viewtrade Securities, Inc., and James J. St. Clair, Jr.

7. During the period on or about July 1, 2002 through on or about September 21, 2003, Viewtrade Securities, Inc., acting through James J. St. Clair, Jr., failed to develop and implement an adequate supervisory system regarding the use by its registered representatives of email. Although the firm's procedures specify that its email system is for internal use only, the firm had no system in place to ensure that use of email was limited to internal communications. Furthermore, registered representatives used web-based email accounts to communicate with customers and the firm had no system to capture, review, or archive these email communications.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 3010(a) and (b) and SEC Rule 17a - 4(b)(4) Viewtrade Securities, Inc., and James J. St. Clair, Jr.

8. During the period on or about July 1, 2002 through on or about September 21, 2003, Viewtrade Securities, Inc., acting through James J. St. Clair, Jr., failed to establish and maintain a system of supervision reasonably designed to achieve compliance with the Conduct Rules of NASD and the applicable securities laws and regulations. Specifically, the firm had no system in place for review of the new accounts and active accounts of branch managers Roger D. Lockhart and Brian M. Herman. Furthermore, the firm had no system in place for review of the trading and market making activity of Scott E. Hughes, the firm's head trader.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 3010(a) and (b) by Viewtrade Securities, Inc., and James J. St. Clair, Jr.

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

A censure and a monetary fine in the amount of \$185,000 against Viewtrade Securities, Inc. of which \$30,000 will be assessed jointly and severally against James J. St. Clair, Jr.

Furthermore, Viewtrade Securities, Inc. is required to retain an independent consultant, not unacceptable to NASD, to conduct a complete audit of the firm's policies, practices, and procedures. The firm is required to retain the independent consultant within 30 days of issuance of the notice of acceptance of this AWC. The independent consultant shall complete the audit within 60 days of issuance of the notice of acceptance of the AWC. Upon completion of the audit, the firm shall provide a copy of the audit report prepared by the independent consultant to NASD. The firm is required to implement all changes recommended by the independent consultant within 120 days of issuance of the notice of acceptance of this AWC. The firm, through its CEO and CCO, further is required to meet in Boca Raton, Florida (or such other NASD location as directed by NASD), with NASD within six months of the issuance of the notice of acceptance of this AWC to provide a written and oral report to NASD attesting to, containing documentation of, and setting forth the details of the audit findings by the independent consultant, as well as Viewtrade Securities, Inc.'s implementation of revised policies and procedures.

An 18-month suspension of James J. St. Clair, Jr., from association with any member of NASD in a principal capacity, said suspension to commence on a date set by NASD.

The sanctions imposed herein shall be effective on a date set by NASD staff. Pursuant to IM-8310-2(f), a bar or expulsion shall become effective upon approval or acceptance of this AWC by the NAC.

III.

OTHER MATTERS

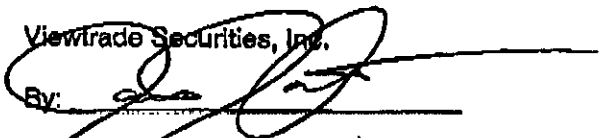
- A. We understand that we may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.
- B. We agree to pay any monetary sanctions imposed on us upon notice that this AWC has been accepted and that such payments are due and payable as noted above and have attached an Election of Payment form showing the method by which we propose to pay any fine imposed.
- C. We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

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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, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce us to submit it.

8/1/05
Date

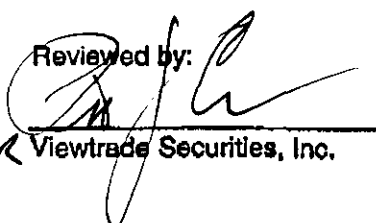
Viewtrade Securities, Inc.

By: 

JAMES ST. CLAIR CEO
[Name and title]

Reviewed by:

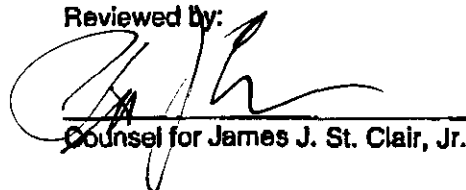
COUNSEL FOR


Viewtrade Securities, Inc.

8/9/05
Date


James J. St. Clair, Jr., Equity
Trader, Financial and Operations
Principal, General Securities
Principal, General Securities
Representative, Municipal Securities
Principal, and Municipal Securities
Representative

Reviewed by:

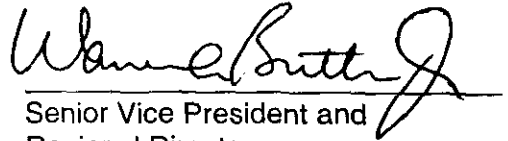

Counsel for James J. St. Clair, Jr.

AWC02
Rev 08/12/03

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Accepted by NASD:

August 26, 2005
Date


Senior Vice President and
Regional Director

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

Attachment: Election of Payment Forms