

**NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E102002159106**

TO: Department of Enforcement
NASD

RE: Joao U. Borges, Respondent
Equity Trader and General
Securities Representative
[CRD No. 4406848]

Pursuant to Rule 9216 of the NASD Code of Procedure, Respondent 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 me alleging violations based on the same factual findings.

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

I also understand that my 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:

Joao U. Borges entered the securities industry on July 6, 2001 as a General Securities Representative of BNP Paribas Securities Corp., a member of the NASD. During all periods mentioned herein, Joao U. Borges was associated with member firm BNP Paribas Securities Corp. and was registered with NASD under Article V of the By-Laws as an Equity Trader and General Securities Representative, which registrations remain currently in effect. Joao U. Borges has not previously been the subject of a formal disciplinary action by any regulatory body.

I.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under the NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against me;
- 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, I 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.

I 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. I hereby accept and consent, 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:

Introduction

Joao U. Borges was employed as trader on the Latin American Equity Derivatives desk ("LAEQD") of an NASD member firm. Borges participated in three types of securities transactions in violation of the anti-money laundering procedures and other written supervisory procedures of his employer firm. Such procedures required, among other things, that registered representatives refrain from participation in transactions with no business or apparent lawful purpose and observe all applicable regulations when operating in foreign markets.

Down-and-In Barrier Options

During the period from July 2000 through January 2002, a Brazilian broker-dealer not affiliated with Borges's employer firm ("Brazilian Dealer One") initiated, structured and priced 13 Ibovespa Index down-and-in barrier call options registered with the Brazilian Bolsa de Mercadorias e Futuros ("BM&F"). Although the fair market value of the options was almost nil, the LAEQD sold the options to Brazilian Dealer One at arbitrarily inflated prices (denominated in Brazilian Reais) relating to the underlying currency exchange objectives of Brazilian Dealer One. Brazilian Dealer One then sent LAEQD invoices (denominated in US dollars) referencing a so-called "arrangement fee" for the option transactions equal to the price of the option contracts less three percent. The aggregate amount of the invoices for the 13 transactions was \$3,849,795.45. Although the LAEQD was in fact short the options, the chances of their being exercised was minute; and in all 13 transactions, the options expired worthless. The purpose of the transactions was to facilitate currency exchange at a cost to Brazilian Dealer One of three percent of the amounts exchanged.

Borges acted as trader on 4 of the 13 transactions.

Cancelled Options

During the period from December 2000, through January 2002, a Brazilian broker-dealer not affiliated with Borges's employer firm ("Brazilian Dealer Two") effected a series of Ibovespa Index futures trades on the BM&F. Brazilian Dealer Two then allocated certain of the trades that were profitable to a Brazilian Real- denominated account owned by Borges's employer firm. Subsequently, the LAEQD sold to Brazilian Dealer Two an option contract and, on the same day, terminated the contract pursuant to a termination agreement. The termination agreement provided that Borges's employer firm would pay Brazilian Dealer Two a termination fee (denominated in US Dollars) equal to the profits on the allocated futures trades less three percent. The LAEQD effected 44 such cancelled options transactions with termination fees totaling \$11,649,584. The purpose of the transactions was to facilitate currency exchange at a cost to Brazilian Dealer Two of three percent of the amounts exchanged.

Borges acted as trader on 16 of the 44 transactions.

Paired Swaps

During the period from February 2001 through September 2001, the LAEQD effected a series of paired interest rate swap trades with Brazilian Dealer One. The swaps were executed over the counter and were registered with, and guaranteed by, the BM&F. The paired swaps were structured to result in a future net receivable (denominated in Brazilian Reais) due to the LAEQD. After executing each paired swap trade, Brazilian Dealer One would send the LAEQD an invoice referencing a so-called "arrangement fee" (denominated in US Dollars) approximately equal to the present value of the future net receivable less three percent. The LAEQD effected 41 such paired swap transactions with arrangement fees totaling \$3,428,715.77. The purpose of these transactions was to facilitate currency exchange at a cost to Brazilian Dealer One of three percent of the amounts exchanged.

Borges acted as trader on 9 of the 41 transactions.

Violations

In connection with the foregoing transactions, Joao U. Borges violated the anti-money laundering procedures and other written supervisory procedures of BNP Paribas in the following respects:

- a. He effected transactions that had no business or apparent lawful purpose.

- b. He failed to contact senior management of Brazilian Dealers One and Two to ascertain reasons for off-market transactions and exchange correspondence documenting such reasons.
- c. He failed to ensure that confirmations sent to Brazilian Dealers One and Two contained the legend, *"This transaction was effected at a non-standard settlement price at the customer's request. The market price at the time of dealing was xxxx."*

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 by Joao U. Borges.

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

A two-month suspension of Joao U. Borges from association with any member of NASD in any capacity and a monetary fine in the amount of \$10,000.

III.

OTHER MATTERS

- A. I understand that I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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. I agree to pay any monetary sanctions imposed on me upon notice that this AWC has been accepted and that such payments are due and payable and have attached an Election of Payment form showing the method by which I propose to pay any fine imposed.
- C. I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.
- D. I understand that if I am barred or suspended from association with any NASD member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any NASD

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member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and M-8310-1).

I certify that I 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 me to submit it.

Oct 10th 2005
Date

Joao U. Borges
Joao U. Borges, Equity Trader and
General Securities Representative

Reviewed by:

[Signature]
Counsel for Joao U. Borges

Accepted by NASD:

October 12, 2005
Date

[Signature]
Senior Counsel

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

AWC01
Rev 08/12/03