

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E102004041201

TO: Department of Enforcement
NASD

RE: Tradition Asiel Securities Inc., Respondent
CRD No. 28269

Pursuant to Rule 9216 of NASD Code of Procedure, Tradition Asiel Securities, Inc. ("Tradition" or "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 Respondent alleging violations based on the same factual findings.

Respondent 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 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 Respondent; and
3. If accepted:
 - a. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against Respondent;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about Respondent'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. 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. Nothing in this provision affects Respondent's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Respondent also understand 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 history are as follows:

Tradition has been an NASD member since September 16, 1991. Tradition employs approximately 176 registered persons and deals primarily with institutional customer accounts.

On June 1, 2005, an AWC submitted by Tradition was approved, whereby Tradition consented to findings the firm violated Automated Confirmation Transaction Service ("ACT") trade reporting rules. Tradition was censured and fined \$20,000.

On June 26, 2004, an AWC submitted by Tradition was approved, whereby Tradition consented to findings that the firm violated ACT trade reporting rules. Tradition also consented to findings that the firm's supervisory system failed to provide for supervision reasonably designed to achieve compliance with applicable NASD rules regarding trade reporting. Tradition was censured and fined \$22,500.

On September 16, 2003, an AWC was submitted by Tradition, whereby Tradition consented to findings that the firm violated ACT trade reporting rules. Tradition was fined \$5,000.

Tradition does not have any other relevant disciplinary history with the Securities and Exchange Commission, any state securities regulator, or self-regulatory organization.

I.

WAIVER OF PROCEDURAL RIGHTS

Respondent 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 Respondent;

- 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, 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 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. 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 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. From July 2003 to April 2004, Tradition failed to develop and implement an anti-money laundering (AML) program reasonably designed to achieve and monitor its compliance with the requirements of the Bank Secrecy Act (31 U.S.C. § 5311, *et. seq.*) ("BSA"), and the implementing regulations promulgated thereunder by the Department of the Treasury. Specifically, deficiencies in Tradition's AML program included, *inter alia*: (i) a failure to establish and implement procedures that can be reasonably expected to detect and cause the reporting of suspicious transactions; (ii) a failure to provide for independent testing of its AML program; (iii) a failure to have procedures for responding to information requests from FinCEN concerning money laundering or terrorist financing; (iv) a failure to have procedures for filing Currency

Transaction Reports; and (v) a Customer Identification Program that was inadequate, in that the program did not specify the identifying information that would be obtained from each customer before opening an account; did not include risk-based procedures for verifying the identity of each customer; failed to have procedures for maintaining records of all information used to verify a customer's identity; failed to have procedures for determining whether a customer appears on any list of known or suspected terrorists or terrorist organizations; and failed to have procedures for providing customers with notice that the firm is requesting information to verify their identities.

Based on the foregoing, Tradition violated NASD Conduct Rules 3011 and 2110.

2. The Staff of NASD District 10 (the "Staff") reviewed a random sample of 60 corporate bond transactions effected by Tradition from July 1, 2004, through July 31, 2004. All of the 60 reviewed transactions were required to be reported to the Trade Reporting and Compliance Engine ("TRACE"). As noted below, 26 of the 60 reviewed transactions were incorrectly reported to TRACE, in that (i) three transactions were reported late; (ii) eleven transactions failed to have the "sell side" of the trade reported; (iii) six transactions reported to TRACE failed to have the "buy side" of the trade reported; and (iv) six transactions reported to TRACE were submitted with incorrect Contra MPID symbols.

By reason of the foregoing, Tradition violated NASD Marketplace Rule 6230.

3. The Staff also reviewed a random sample of 128 municipal securities transactions effected by Tradition from January 1, 2004, through July 5, 2004. All of the 128 transactions were required to be reported to the Municipal Securities Rulemaking Board ("MSRB").
 - (a) Of the 128 transactions reviewed, thirteen (or approximately 10%) of the transactions were reported late.
 - (b) Additionally, 74 of the 128 municipal securities transactions (or approximately 57 %) were reported to the MSRB with one or more errors, in that (i) forty seven transactions were reported with the wrong capacity code; (ii) six transactions were reported with an incorrect sellers broker symbol; (iii) eleven transactions were reported with an incorrect buyers broker symbol; (iv) two (2) transactions were reported at the wrong price; (v) three transactions erroneously reported a commission; and (vi) five transactions incorrectly reported that the trade was a customer trade, when it was actually a dealer trade.

By reason of the foregoing, Tradition violated MSRB Rule G-14.

- B. Respondent also consents to the imposition, at a maximum, of the following sanctions:
- Tradition to be censured; and
 - Tradition to be fined \$30,000.

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

III.

OTHER MATTERS

- A. Respondent understands that it 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 NASD, nor does it reflect the views of NASD or its staff.
- B. Respondent 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 has attached an Election of Payment form showing the method by which Respondent proposes to pay any fine imposed.
- C. Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Respondent certifies that it has read and understands 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 Respondent to submit it.

Tradition Asiel Securities Inc., Respondent
(CRD No. 28269)

5/17/2006
Date

By: John B. Morgan
Name: John B. Morgan
Title: Chief Compliance Officer

Accepted by NASD:

April 6, 2006
Date

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

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