

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. ## E102005015602

TO: Department of Enforcement
NASD

RE: GFI Securities LLC (BD No. 19982), and
Donald P. Fewer (CRD No. 1415123)

Respondents

Pursuant to Rule 9216 of NASD Code of Procedure, GFI Securities LLC ("GFI") and Donald P. Fewer ("Fewer") (collectively, "Respondents"), 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 Respondents alleging violations based on the same factual findings.

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

Respondents also understand that their 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:

GFI first became registered as a member of NASD on or about January 25, 1987. GFI has the following relevant formal disciplinary history.

- On or about January 25, 2006, in case number 20050000636-01, NASD accepted a Letter of Acceptance, Waiver and Consent ("AWC") from GFI wherein GFI was fined \$25,000 and censured. GFI agreed to the entry of findings that it violated NASD Conduct Rules 2110 and 6420(A) in that GFI failed within 90 seconds after execution, to transmit through the NASDAQ Market Center last sale reports of transactions in consolidated quotation services securities and failed, within 90 seconds after execution, to transmit through the NASDAQ Market Center last sale reports of transactions in CQS securities and failed to designate through the National Market Center such last sale reports as late.
- On or about October 31, 2005, in case number 20050000999-01, NASD accepted an AWC from GFI wherein GFI was fined \$35,000 and censured. GFI agreed to the entry of findings that it violated NASD Conduct Rules 3010, 6620(a) and 2110 in that GFI failed, within 90 seconds after execution, to transmit through NASDAQ Market Center last sale reports of transactions in OTC equity securities. GFI failed to designate through NASDAQ Market Center last sale reports as late. GFI's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws and regulations concerning ACT reporting. Specifically, GFI's supervisory system did not include written supervisory procedures ("WSPs") providing for: (1) identification of the person responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory steps to be taken by the identified person; and (3) a statement as to how the completion of the steps included in the WSPs should be documented.
- On or about February 7, 2005, in case number CLG030012, NASD accepted an AWC from GFI wherein GFI was fined \$25,000, censured and agreed to certain undertakings. GFI agreed to the entry of findings that it violated NASD Conduct Rules 2110 and 3010 in that GFI failed to accept or decline in ACT 321 transactions in eligible securities within twenty minutes after execution. GFI's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws, regulations and NASD rules concerning ACT reporting.

- On or about April 27, 2004, in case number CMS040061, NASD accepted an AWC from GFI wherein GFI was fined \$20,000 and censured. GFI agreed to the entry of findings that GFI: (i) failed, within 90 seconds after execution, to transmit through ACT 103 last sale reports of transactions in OTC equity securities; (ii) failed, within 90 seconds after execution, to transmit through ACT 12 last sale reports of transactions in OTC equity securities and failed to designate through act such last sale reports as late; (iii) failed, within 90 seconds after execution, to transmit through ACT 113 last sale reports of transactions in OTC equity securities; and (iv) failed, within 90 seconds after execution, to transmit through ACT 91 last sale reports of transactions in OTC equity securities and failed to designate through ACT such last sale reports as late.
- On or about April 27, 2001, in case number CMS020092, NASD accepted an AWC from GFI wherein GFI was fined \$25,000 and censured. GFI agreed to the entry of findings that GFI violated NASD Conduct Rules 6620(A) and 2110 in that GFI: (i) failed, within 90 seconds after execution, to transmit through ACT last sale reports of transactions in OTC equity/bulletin board securities; (ii) incorrectly reported to ACT last sale reports of transactions in OTC/OTCBB securities on an "as of" basis; (iii) failed within 90 seconds after execution to transmit through ACT last sale reports of transactions in OTC/OTCBB securities and failed to designate through ACT such last sale reports of transactions as late; and (iv) incorrectly designated as ".sld" through ACT last sale reports of transactions in OTC/OTCBB securities reported to ACT within 90 seconds of execution.

GFI has no additional relevant disciplinary history with the Securities and Exchange Commission, NASD, any other self-regulatory organization or any state securities regulator.

Fewer first became registered with NASD as a General Securities Representative ("GSR") on October 16, 1997 through an association with GFI. Since January 1, 2001, Fewer has also been registered as a General Securities Principal through an association with GFI. He serves as GFI's President and directly supervises GFI's brokerage operations.

Fewer has no disciplinary history with the Securities and Exchange Commission, NASD, any other self-regulatory organization, or any state securities regulator.

I.

WAIVER OF PROCEDURAL RIGHTS

Respondents 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 Respondents;

- 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, Respondents 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.

Respondents 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. Respondents 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 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. The staff of NASD's District No. 10 office (the "Staff") reviewed a sample of 60 corporate bond transactions effected by GFI between May 1, 2005 and July 31, 2005. All of the transactions reviewed were eligible for Trade Reporting and Compliance Engine ("TRACE") reporting. 44 of the 60 transactions were subject to the TRACE requirement that yield be provided. For each of these 44 transactions, GFI failed to report required yield information. By reason of the foregoing, GFI violated NASD Systems and Programs Rule 6230 and NASD Conduct Rule 2110.
 - 2. From in or around November 2004 through on or about September 30, 2005, GFI, acting through Fower, permitted KO to act in a capacity requiring registration with NASD when KO was not registered in any capacity. During this period, KO worked on GFI's asset backed securities desk where he was engaged in activity involving the purchase and sale of fixed income securities on behalf of institutional customers. Such activity included engaging

institutional investors to obtain orders, accepting orders from institutional customers and entering such orders into GFI's trade capture system. By reason of the foregoing, Respondents violated NASD Membership and Registration Rule 1031 and NASD Conduct Rule 2110.

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

- Fewer and GFI to be Censured;
- Fewer and GFI to be jointly and severally fined \$30,000; and
- GFI to be fined an additional \$7,500.

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

III.

OTHER MATTERS

- A. Respondents understand that they may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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. Respondents agree to pay any monetary sanctions imposed 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 Respondents propose to pay any fine imposed.
- C. Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Respondents certify that they 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, have been made to induce Respondents to submit it.

Date

7/6/06

GFI Securities LLC

[Signature]

Print Name: William H. Hays

Title: CCO

7/6/06
Date

Donald P. Fewer
Donald P. Fewer

Reviewed by:

Ivan B. Knauer
Ivan B. Knauer, Esq.
Counsel for Respondents

Accepted by NASD:

August 1, 2006
Date

Frank M. Weber
Frank M. Weber
Regional Counsel
District 10 - Department of Enforcement
Signed on behalf of the Director of ODA, by
delegated authority

NASD District Director
Hans Reich
Senior Vice President
NASD, District 10
One Liberty Plaza
New York, New York 10006