

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E1020050483-02

TO: Department of Enforcement
NASD

RE: Banorte Securities International, Ltd., Respondent
BD No. 30648

Pursuant to Rule 9216 of NASD Code of Procedure, Banorte Securities International, Ltd., ("Banorte" 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 understands 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:

Banorte has been a member of NASD since August 30, 1993. It operates a retail broker dealer business. Banorte has no relevant disciplinary history with NASD or any other self-regulatory organization, the Securities & Exchange Commission, or any state securities regulator.

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 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. Banorte did not have a properly registered municipal securities principal for the supervision of trading of municipal securities from August 30, 2004, through December 31, 2004. Through this conduct, Banorte violated Municipal Securities Rulemaking Board ("MSRB") Rules G-2, G-3 and G-27.
 2. Banorte did not seek approval for a change to its membership agreement prior to engaging in business as a municipal broker or dealer. From in or around September 2004, through on or about December 31, 2004, Banorte effected more than 120 municipal securities transactions. Through this conduct, Banorte violated NASD Rule 1017 and 2110.
 3. NASD staff reviewed sixty order tickets for municipal securities customer transactions at Banorte occurring between September 2, 2004, and January 7, 2005. Of the 60 order tickets, 57 did not contain the time of receipt of the order from the customer. Through this conduct Banorte violated MSRB Rule G-8.
 4. NASD staff reviewed 120 municipal securities transactions executed between September 2, 2004, and January 7, 2005. After executing such transactions, Banorte sent the municipal trade report information to its clearing firm. The clearing firm then forwarded Banorte's trade data to the MSRB for trade reporting purposes. A review of these 120 municipal securities transactions effected by Respondent revealed that 53 transactions were reported late to the MSRB. Through this conduct Banorte violated MSRB Rule G-14.
 5. Banorte failed to enforce its written supervisory procedures to ensure that the firm conducted its business in accordance with the MSRB rules. As a result, the firm did not have a properly registered municipal securities principal, failed to properly complete order tickets for municipal securities and its municipal securities transactions were reported late to the MSRB. Through this conduct, Banorte violated MSRB Rule G-27.

- B. Respondent also consents to the imposition, at a maximum, of the following sanctions:

- A censure, and
- A fine of \$17,500.

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 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 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.

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.

June 5, 2006
Date

Banorte Securities International, Ltd.

By: 
Brian Simmons
Chief Compliance Officer

Reviewed by:



Evan Barnes, Esq.
Kelley Drye & Warren LLP
Two Stamford Plaza
281 Tresser Boulevard
Stamford, CT 06901
Counsel for Respondent

Accepted by NASD:

June 20, 2006
Date

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



Julie K. Glynn
Senior Regional Attorney
NASD Department of Enforcement
One Liberty Plaza
New York, New York 10006
(212) 858-4776; fax (212) 858-4770

NASD District Director

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



Corrective Action Statement

In response to the NASD finding, Banorte Securities International, Ltd (BSI) has taken the following corrective actions to ensure BSI does not repeat the misconduct as well as to prevent future misconduct. The Corrective Actions was in completed in a four step process which is continually in effect.

Step 1: BSI filed the proper 1017 application to the NASD to upgrade its membership agreement to reflect BSI's municipal securities business. The 1017 application was successfully completed on June 1, 2005 approving BSI to act as a municipal securities broker-dealer.

Step 2: BSI immediately acquired a properly licensed municipal securities principal to review and approve all municipal securities business to maintain compliance with MSRB rules G-2, G-3 and G-7.

Step 3: BSI reconfigured its training plan regarding the proper information needed to be entered on the order ticket for all municipal orders. The training of BSI's registered representatives took place immediately after the receipt of the NASD's finding. In addition, this training plan has been implanted into the firm's Annual Compliance Meeting to ensure all registered representative comply with MSRB rule G-8. To maintain compliance the compliance officer or designated principal reviews and approves all orders tickets to ensure all required information has been provided.

Step 4: Regarding late trade reporting to the MSRB, BSI has re-trained its personnel to the enhance awareness of MSRB Rule G-14. As BSI relies on Pershing, LLC to report all municipal securities trades to the MSRB, the compliance officer or designated principal reviews daily the MSRB trade report generated by Pershing, to ensure both BSI and Pershing are in compliance with MSRB Rule G-14 reporting requirements.

In Conclusion Banorte Securities International has taken this opportunity to enhance its policy and procedures to ensure the Firm maintains compliance with all applicable rules and regulations. The corrective action statement is believed to be able to ensure BSI does not repeat the NASD findings and prevent future misconduct which would violate MSRB and NASD's Rules and Regulations.

Created By:

Banorte Securities International, Ltd


Brian Simmons

Chief Compliance Officer

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD, or its staff.

540 Madison Avenue, 36th Floor
New York, New York 10022-3224
Tel. (212) 484 5200
Fax. (212) 484 5290

TOTAL P.01