

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E112005003901

TO: Department of Enforcement
NASD

RE: Westport Capital Markets, LLC
BD No. 41562

Pursuant to Rule 9216 of NASD Code of Procedure, we 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 finding 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:

Westport Capital Markets, LLC ("Westport") (BD No. 41562) has been a member of NASD since on or about November 8, 1996. The firm employs approximately nine (9) registered representatives located in Westport, CT. The firm has no prior NASD disciplinary history.

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 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:

Member firms participation for ("TRACE") eligible securities for trade reporting purposes is mandatory. NASD Systems and Program Rule 6220 provides that

such mandatory participation obligates members to submit transaction reports in TRACE eligible securities in conformity with the Rule 6200 Series. NASD Systems and Programs Rule 6220 also requires, among other things, that TRACE participants execute a TRACE Participant application agreement.

During the period July 26, 2003 through August 30, 2005 (the "relevant period"), Westport failed to execute a TRACE Participant application agreement, and therefore, was not a TRACE participant. Moreover, during the same time period, the firm failed to report 152 TRACE-eligible transactions. This conduct constitutes separate and distinct violations of NASD Systems and Programs Rules 6220, 6230 and NASD Conduct Rule 2110.

During the period June 2005 through August 2005, Westport claimed the exemption to the Securities & Exchange Act of 1934 ("Exchange Act") Rule 15c3-3 (the "Customer Protection Rule") provided by paragraphs (k)(2)(i) and (ii) therein. During that time period, Westport received thirty-eight (38) customer checks payable to itself rather than to its clearing firm. By accepting the checks and failing to ensure that their customers made checks payable to the clearing firm, Westport violated Section 15(c) of the Exchange Act, Rule 15c3-3 thereunder, and NASD Conduct Rule 2110.

As a result of the receipt of the aforementioned customer checks made payable to the firm, Westport was required, pursuant to Section 15c of the Exchange Act and SEC Rule 15c3-1 thereunder, to maintain a minimum net capital of \$250,000. On June 30, 2005, July 29, 2005 and August 31, 2005, however, Westport used the instrumentalities of interstate commerce to conduct a securities business while failing to maintain minimum required net capital as set forth below:

	<u>Firm's Reported Net Capital</u>	<u>Net Capital Requirement</u>	<u>Net Capital Deficiency</u>
06/30/2005	\$91,949	\$250,000	(\$158,051)
07/29/2005	\$170,011	\$250,000	(\$ 79,989)
08/31/2005	\$188,170	\$250,000	(\$ 61,830)

This conduct constitutes separate and distinct violations of Section 15(c) of the Exchange Act and Rule 15c3-1 thereunder, and NASD Conduct Rule 2110.

In addition, during the relevant period, the firm failed to have written supervisory procedures reasonably designed to comply with TRACE reporting requirements and the Customer Protection Rule. This conduct constitutes separate and distinct violations of NASD Conduct Rules 3010 and 2110.

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

A censure and a fine in the amount of \$22,500.

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

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 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.

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.

Date: 6/12/06

Westport Capital Markets, LLC

By: [Signature]
Title: LLC President

Accepted by NASD:

6/21/06
Date

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

[Signature]
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