

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E3A20040016-01

TO: Department of Enforcement
NASD

RE: Fixed Income Securities, LP, Respondent
CRD No.46727

Pursuant to Rule 9216 of NASD Code of Procedure, Fixed Income Securities, LP ["Respondent" or "the firm"] 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 the firm 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 the firm; and
3. If accepted:
 - a. this AWC will become part of the firm's permanent disciplinary records and may be considered in any future actions brought by NASD or any other regulator against it;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about the firm's disciplinary records;
 - 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. The firm 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 its 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:

Fixed Income Securities, LP ("FIS" or "the firm") became a member of NASD in July 1999. Its membership is current. The firm has been the subject of one previous regulatory proceeding in which NASD accepted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$80,000.00 for municipal and corporate bond reporting violations. This action became final in September 2004.

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 the firm;
- 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. Regulatory Element Continuing Education. Between March 7, 2003 and August 11, 2004, ten individuals who were registered with FIS became inactive because they did not complete the regulatory continuing education assessment by the required date. The individuals were inactive for periods of three to fifty-five days. While inactive, they engaged in activity for which registration was required. Nine of the individuals were wholesalers who did not contact retail customers. Permitting individuals who were inactive to function in capacities requiring registration constituted violations of NASD Membership and Registration Rule 1120 and NASD Conduct Rule 2110 by Respondent.
2. Rule 3070 Reporting. Between August 23, 2002 and July 18, 2004, FIS became aware of seven customer grievances that required inclusion in quarterly reports to NASD not later than the 15th day of the month following the calendar quarter in which the firm became aware of them. Three of the grievances were reported from 109 to 271 days late and three grievances were not reported. Reporting grievances late and failing to report grievances constituted violations of NASD Conduct Rules 3070 and 2110 by FIS.
3. Form U-4 Amendments. Between November 5, 2003 and September 24, 2004, FIS became aware of nine events or circumstances requiring the submission of an amendment to the then-current Form U-4 of a person associated with the firm. The amendments were required to be submitted not more than 30 days after the firm became aware of the circumstances requiring them. Four of the required amendments were filed between 25 and 210 days late and three of the required amendments were not filed. Filing amendments late and failing to file required amendments constituted violations of NASD Conduct Rule by FIS.
4. Anti-Money Laundering Compliance Program. Between October 1, 2003 and December 9, 2004, FIS opened new accounts for approximately 99 investment advisors. The investment advisors were customers for purposes of the joint Department of the Treasury-Securities and Exchange Commission regulations pertaining broker-dealers' obligations to establish and implement a Customer Identification Program. FIS did not implement its Customer Identification Program with respect to the investment advisor accounts. Further, the firm did not implement its Customer Identification Program with respect to three other non-IA customer

accounts opened during the same period. The failure to implement its Customer Identification Program, as described above, constituted violations of NASD Conduct Rules 3011(b) and 2110 by the firm.

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

Censure and a fine in the amount of \$23,750.00.

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

III.

OTHER MATTERS

- A. Respondent understands that the firm 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 the firm 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 the firm 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 the firm proposes to pay any fine imposed.
- C. Respondent specifically and voluntarily waives any right to claim that the firm is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Respondent certifies that a person duly authorized thereunto 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 the firm to submit it.

4/13/06
Date

Fixed Income Securities, LP

By: Scott O'Neil

Its: President

Reviewed by:

Counsel for Respondent Fixed Income Securities

Accepted by NASD:

April 25, 2006
Date

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

Jacqueline D. Whelan
Jacqueline D. Whelan
Regional Counsel
NASD Department of Enforcement
525 Market Street, Suite 300
San Francisco, CA 94105
415-882-1222; 415-357-9831

NASD District Director
Joseph M. McCarthy
Vice President and Director
District No. 3
370 - 17th Street, Suite 2900
Denver, CO 80202
303-446-3190