

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
E8A2005014402

TO: Department of Enforcement
NASD

Re: NatCity Investments, Inc.
(CRD No. 17490)

Pursuant to Rule 9216 of NASD Code of Procedure, NatCity Investments, Inc. ("NatCity 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 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 Rules 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 findings 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 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:

NatCity became a member of the NASD on May 30, 1986. The firm engages in the sale of equities, corporate bonds, municipal bonds, mutual funds, variable products, unit investment trusts, options, and private placements.

Within the last five years, NatCity had one disciplinary proceeding that is relevant to this proceeding. On July 22, 2002, NatCity settled NASD findings through an AWC that it failed to promptly amend a registered representative's Form U-4 in violation of NASD Rule 3070. NatCity agreed to the sanction of a \$5,000 fine (NASD Case Number E8A2003084601).

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 it;
- 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, 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. Article V, Section 3 of NASD's By-Laws provides that, following the termination of the association with a member of a person who is registered with it, such member shall, not later than 30 days after such termination, give notice of the termination of such association to NASD and concurrently provide to the person whose association has been terminated a copy of said notice as filed with NASD. A member that does not submit such notification and provide a copy to the person whose association has been terminated, within the time period prescribed, shall be assessed a late filing fee as specified by NASD. In the event a member learns of facts or circumstances causing any information set forth in a termination notice (Form U-5) filed with NASD to become inaccurate or incomplete, the member must notify NASD, within 30 days thereafter, of those facts or circumstances by means of an amendment to the termination notice. The Form U-5 is required to be filed with NASD within 30 calendar days of the registration termination of the registered representative.
 2. From August 23, 2003 and February 24, 2005, Respondent filed Forms U-5 Uniform Termination Notice for Securities Industry Registration for 673 individuals whose registrations were terminated. Of the 673 registrations that were terminated during that time period, the Forms U-5 for 205 registered representatives (30.4%) were submitted late, in violation of Article V, Section 3 of NASD By-Laws and NASD Conduct Rule 2110.
 3. Article V, Section 2 of NASD's By-Laws provides that all applications for registration (Form U-4) filed with NASD must be kept current. Furthermore, all amendments to the application shall be filed with NASD no later than 30 days after learning of the facts or circumstances giving rise to the amendment.
 4. From August 23, 2003 and February 24, 2005, Respondent failed to timely amend the Form U-4 for 3 registered representatives to disclose customer complaints, in violation of Article V, Section 2 of NASD By-Laws and NASD Conduct Rule 2110.
 5. In connection with the delays noted in the above paragraphs, Respondent failed to maintain a system to supervise the activities of each registered representative and associated person that was reasonably designed to achieve compliance with applicable securities laws and regulations so as to ensure the timely filing of Forms U-5 for individuals whose registrations were terminated or that had timely

amendments to Forms U-4 for individuals with customer complaints. Such failures are in violation of NASD Conduct Rule 3010 and 2110.

- B. Respondent also consents to the imposition, at a maximum, of the sanctions of:
1. a censure; and
 2. a fine of \$98,500 for late filings of Form U-5s and late amendments to Form U-4s; and
 3. a fine of \$25,000 for deficient supervisory procedures.

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 it 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.

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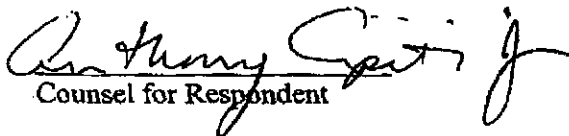
Respondent certifies that a duly authorized officer has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce Respondent to submit it.

NatCity Investments, Inc.

4-20-06
Date

By 
Its CHIEF COMPLIANCE OFFICER

Reviewed by:


Counsel for Respondent

Accepted by NASD:

4-26-06
Date

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


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