

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E902003045001

TO: Department of Enforcement
NASD

RE: Patricia Kwan, Respondent
CRD No. 2297069

Pursuant to Rule 9216 of NASD Code of Procedure, Patricia Kwan ("Kwan") 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 me alleging violations based on the same factual findings.

I 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 me; and
3. If accepted:
 - a. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against me;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about my 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. I 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 my

testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

I also understand that my 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:

Kwan became registered with NASD as a General Securities Representative (Series 7) on or about December 14, 1992. Kwan was registered with Citigroup Global Markets Inc. ("Citigroup")¹ from on or about July 31, 1993 until her association with such member was terminated on November 12, 2003 due to the misconduct alleged herein. Kwan is not presently associated with a member firm and has not previously been the subject of an NASD disciplinary action.

I.

WAIVER OF PROCEDURAL RIGHTS

I 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 me;
- 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, I 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.

I 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

¹ At the time of Kwan's initial employment, the firm was named Smith Barney, Harris Upham & Co., Incorporated.

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. I hereby accept and consent, without admitting or denying the allegations or 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) A Contingent Deferred Sales Charge ("CDSC") is the sales charge that mutual fund companies impose on investors who sell/redem their Class B shares within a certain period after purchase. The amount of the CDSC depends upon, among other things, the number of years since the initial purchase and the terms offered by the specific mutual fund company. CDSCs may sometimes be waived for disabled customers.

From in or about June 2001 through in or about June 2002, Kwan obtained CDSC waivers for several of her customers by misrepresenting that each of them was disabled. Those customers consequently received CDSC waivers for approximately fifteen Class B mutual fund redemptions. As a result, Kwan deprived several mutual fund companies of fees that they were otherwise entitled to. Moreover, Kwan's actions caused Citigroup's books and records relating to the fifteen redemptions to contain false information regarding the disability status of the customers. By reason of the foregoing, Kwan violated NASD Conduct Rules 3110 and 2110.

- 2) During 2002 and 2003, Kwan exercised discretion in the accounts of several customers without written authorization. This conduct was in violation of NASD Conduct Rules 2510 and 2110.

- B. I also consent to the imposition, at a maximum, of the following sanction:

A bar from association with any member of NASD in any capacity.

The sanctions imposed herein shall be effective on a date set by NASD staff. Pursuant to IM-8310-2(f), a bar or expulsion shall become effective upon approval or acceptance of this AWC by the NAC.

III.

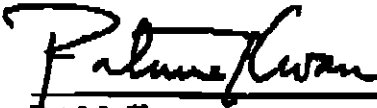
OTHER MATTERS

I understand that if I am barred or suspended from associating with any NASD member, I become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, I may not be associated with any NASD member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1.)

I certify that I 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 me to submit it.

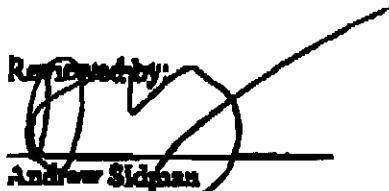
10/26/05

Date



Patricia Kwan

Reviewed by:


Andrew Sidman
Bresler, Amery & Ross
Counsel for Respondent

Accepted by NASD:

11/2/05

Date

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



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