

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20050000074-01**

RECEIVED

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NATIONAL DISCLOSURE
MARKET REGULATION

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: TradeStation Securities, Inc., Respondent
Broker-Dealer
CRD No. 39473

Pursuant to NASD Rule 9216 of FINRA Code of Procedure, TradeStation Securities, Inc. (the "firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm 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 FINRA, or to which FINRA 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 FINRA:

BACKGROUND

TradeStation Securities, Inc. has been a member of FINRA, formerly known as NASD, since January of 1996, and its registration remains in effect. The firm does not have any relevant disciplinary history.

20050000074 (TN)

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SUMMARY

In connection with FINRA Matter No. 20050000074, the staff of the Department of Market Regulation of FINRA (the "staff") conducted a review of the firm's compliance with the rules applicable to the Order Audit Trail System ("OATS") during the period August 17, 1999 through September 7, 2004 ("the review period").

FACTS AND VIOLATIVE CONDUCT

1. In August 1999, the firm entered into an OATS Reporting Agent Agreement that specified that the Reporting Agent (as defined in NASD Marketplace Rule 6951(1)) was responsible for reporting to OATS on the firm's behalf information reflected in the Reporting Agent's NASDAQ securities trade processing and reporting systems regarding transactions processed by the Reporting Agent and information input or arranged to be input into the Reporting Agent's OATS reporting system.
2. The OATS Reporting Agent Agreement further specified that the firm remained solely responsible for the information required by the OATS rules that: (a) was not reflected in the Reporting Agent's NASDAQ securities trade processing and reporting systems; (b) related to transactions executed by the Reporting Agent but not input by the firm; or (c) related to transactions not executed by the Reporting Agent.
3. During the review period, the Reporting Agent submitted approximately 106,466 Reportable Order Events ("ROEs") on the firm's behalf.
4. During the review period, the firm failed to submit approximately 23.5 million ROEs relating to orders received and handled via the firm's proprietary electronic trading platform. The ROEs related to approximately 269 total orders in 2000; 216,000 orders in 2001; 2.2 million orders in 2002; 3.9 million orders in 2003; and 3.4 million orders during the period January 1, 2004 through September 7, 2004.
5. The conduct described in paragraphs one through four constitutes separate and distinct violations of NASD Marketplace Rule 6955(a) and NASD Conduct Rule 2110.
6. During the review period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of NASD, concerning OATS Reporting. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.

7. Furthermore, the firm did not conduct any supervisory reviews to ensure compliance with the OATS reporting rules despite a significant increase in the total number of OATS-eligible orders during the review period.
8. The conduct described in paragraphs six and seven constitutes a violation of NASD Conduct Rules 2110 and 3010.

B. The firm also consents to the imposition of the following sanctions:

A censure, a fine of \$750,000 (comprised of a \$200,000 fine for the OATS violations and a \$550,000 fine for the supervision violations), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph six. Within 30 business days of acceptance of this AWC by the NAC, a registered principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph six; and, (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under FINRA'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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudice 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.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of NASD Rule 9143 or the separation of functions prohibitions of NASD 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.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
 4. 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

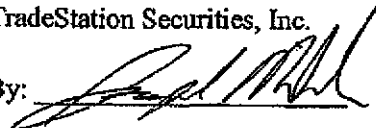
without factual basis. The firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm 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 FINRA, nor does it reflect the views of FINRA or its staff.

The firm certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

Dec. 10, 2007
Date

TradeStation Securities, Inc.

By: 

Name: JOSEPH NIKOLSON

Title: PRESIDENT

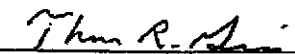
Reviewed by:


Counsel for Respondent

Accepted by FINRA:

12/31/07
Date

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


Thomas R. Gira
Executive Vice President
Department of Market Regulation