

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT

20050000107-01

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TO: Market Regulation Department
NASD

RE: **Schonfeld Securities, L.L.C.**, Respondent
CRD No. 23304

Pursuant to Rule 9216 of NASD Code of Procedure, Schonfeld Securities, L.L.C. ("SHON" or "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 SHON alleging violations based on the same factual findings.

SHON 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 Market Regulation and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs, 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 SHON; and
3. If accepted:
 - a. this AWC will become part of SHON's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against SHON;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about SHON's 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. SHON 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 SHON's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

SHON 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:

SHON entered the securities industry on November 21, 1988 as a member of NASD and its registration remains in effect. SHON has no relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

SHON 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 SHON;
- 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, SHON 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.

SHON 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

In connection with 20050000107/MRD200449387, the OATS Compliance Staff of NASD's Department of Market Regulation ("staff") reviewed SHON's compliance with Order Audit Trail System ("OATS") rules, during the period of July 1, 2004 through September 30, 2004 ("review period").

- A. SHON 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. SHON failed to timely report to OATS 83,834,628 Reportable Order Events ("ROEs"). These late ROEs represented 12 percent of all ROEs (714,658,708) submitted by SHON to OATS during the review period. Eighty two percent of the late ROEs were received during a two-week period.
 2. The conduct described in paragraph one above constitutes separate and distinct violations of NASD Marketplace Rule 6955(a).
 3. 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 compliance. Specifically, the firm's written supervisory procedures did not reflect the actual procedures that the firm had for: (1) identification of the person(s) responsible for supervision with respect to the OATS compliance; (2) the step(s) that such person(s) should take to ensure compliance therewith; (3) how often such person(s) should take such step(s); and (4) how enforcement of such written supervisory procedures should be documented at the firm.
 4. The conduct described in paragraph three constitutes a violation of NASD Conduct Rules 2110 and 3010.
- B. SHON also consents to the imposition, at a maximum, of the following sanctions:

A censure, a fine of \$12,500 (a fine of \$7,500 for OATS violations and a fine of \$5,000 for supervision violations), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described

in paragraph three. 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 three; and, (3) the date the revised procedures were implemented.

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

III.

OTHER MATTERS

- A. SHON understands that SHON may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. SHON understands that SHON 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. SHON agrees to pay any monetary sanctions imposed on SHON 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 SHON proposes to pay any fine imposed.
- C. SHON specifically and voluntarily waives any right to claim that SHON is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

5/11/06

Respondent

By: 
Name: Anne-nare Cochy
Title: Chief Compliance Officer

Counsel for Respondent

Date 6/23/06

Thomas R. Gira
Thomas R. Gira
Executive Vice President and Deputy
Department of Market Regulation

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