

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
DEPARTMENT OF MARKET REGULATION
20050000112-02

TO: Department of Market Regulation
NASD

RE: Jane Street Markets, LLC, Respondent
Broker/Dealer
CRD Number 104485

Pursuant to Rule 9216 of NASD Code of Procedure, Jane Street Markets, LLC ("NASS") 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 NASS alleging violations based on the same factual findings.

NASS 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 NASS; and
3. If accepted:
 - a. this AWC will become part of NASS's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against the firm;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about NASS'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. NASS 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 NASS's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

NASS 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 relevant history are as follows:

NASS, formerly Nassau Street Capital, LLC, has been a member of NASD since May 2001, and the firm's registration remains in effect. NASS does not have any disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

NASS 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 NASS;
- 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, NASS 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.

NASS 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 20050000112, formerly identified as MRD200449160, the staff of the Department of Market Regulation of NASD (the "staff") conducted a review of NASS's compliance with the rules applicable to the Order Audit Trail System ("OATS") during the period July 1, 2004 through September 30, 2004. The staff also reviewed NASS's written supervisory procedures and supervisory system with respect to OATS.

- A. NASS 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. During the review period, NASS transmitted to OATS through a Reporting Agent 374,584 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports failed to match the related orders in SuperMontage. These inaccurate and/or incomplete reports represented more than 99 percent of all Route or Combined Order/Route reports transmitted by the firm during the review period.
 2. The conduct described in paragraph one above constitutes separate and distinct violations of NASD Marketplace Rule 6955(a) and a violation of NASD Conduct Rule 2110.
 3. NASS'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 the following: (1) a statement of the supervisory step(s) to be taken by the person(s) responsible for ensuring compliance with OATS reporting; and (2) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.
 4. The conduct described in paragraph three constitutes a violation of NASD Conduct Rules 2110 and 3010.

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

A censure and a fine of \$10,000 (comprised of a \$5,000 fine for the OATS violations and a \$5,000 fine for the supervision violations).

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

III.

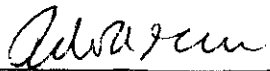
OTHER MATTERS

- A. NASS understands that it may attach a Corrective Action Statement to this AWC, which is a statement by the Respondent of demonstrable corrective steps taken to prevent future misconduct. Respondent 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. NASS 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 have attached the election of payment form showing the method by which it proposes to pay any fine imposed.
- C. NASS specifically and voluntarily waives any right to claim that NASS is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

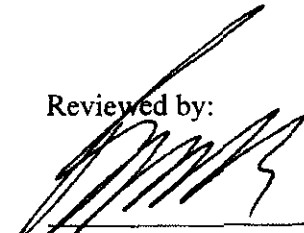
Jane Street Markets, LLC certifies that a duly authorized officer has read and understood all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made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

Jane Street Markets, LLC

Date: 2/7/06

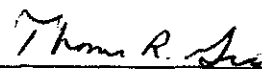
By: 
Name: Robert A. Granger
Title: Managing Director

Reviewed by:


Counsel for Respondent

Accepted by NASD:

2/22/06
Date


Thomas R. Gira
Executive Vice President & Deputy
Market Regulation

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

Attachments:
Standard Election of Payment Form

JANE STREET MARKETS, LLC
STATEMENT OF CORRECTIVE ACTION
FEBRUARY 7, 2006

This Statement of Corrective Action is submitted by respondent Jane Street Markets, LLC ("JSM or "the Firm"), formerly known as Nassau Street Capital, LLC ("NASS"). This Statement of Corrective Action does not constitute factual or legal findings by the NASD, nor does it necessarily reflect the views of the NASD or its staff.

1. JSM immediately changed Vendors.

In November 2004, JSM became aware that its vendor, Electronic Brokerage Systems ("EBS") was submitting unmatched OATS reports on JSM's behalf. This was due to a programming error by EBS. JSM immediately terminated its relationship with EBS and commenced reporting with Goldman Sachs Execution and Clearing.¹

2. JSM amended its Written Supervisory Procedures.

As a result of this matter, JSM amended its Written Supervisory Procedures. The amendments expanded JSM's daily review of OATS data to include all areas of the OATS website containing relevant data about JSM's OATS reporting. The reviewer is required to fill out a grid (see below) indicating all areas reviewed and the results of such review. The Firm has adopted protocols to follow if the reviewer detects rejected or unmatched OATS data. The protocols include alerting the vendor, and when required, contacting NASDAQ or NASD. Finally, the firm's Chief Compliance Officer reviews the grid on a daily basis. An example of the grid is copied below.

Date of Review: February 1, 2006					
Type of Review	Review By	Action Taken	Resolution	Resolved Date	Resolved By
FORE Status Notification	KR	Reviewed data for: 01/31/06	Saw report submitted and accepted	02/01/06	KR
Firm Reporting Statistics (including late reports)	KR	Reviewed data for: 01/30/06	Saw no rejected or late reports	02/01/06	KR
Order Trade Matching Statistics	KR	Reviewed data for: 01/27/06	Saw no unmatched	02/01/06	KR
Route/NES Order Match Statistics	KR	Reviewed data for: 01/27/06	Saw no unmatched	02/01/06	KR
ROE Rejections	KR	Reviewed data for: 01/30/06	Saw no rejections	02/01/06	KR
Interfirm Route Match	KR	Reviewed data for: 01/27/06	Saw no unmatched	02/01/06	KR

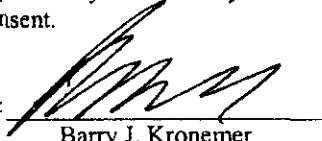
JSM appreciates the importance of OATS and believes that the corrective action taken since November 2004 will ensure that the Firm will be aware if there are any problems with JSM's OATS Reporting. Obviously, the Firm has no control over a vendor's or NASD's computer systems, but to the

¹ EBS was aware of the programming problem in July 2004 but did not notify JSM until November 2004.

extent the OATS Website contains data about JSM's OATS reports, JSM will take all action to ensure that it complies with the OATS Rules.

I am available to answer any questions that the Office of Disciplinary Affairs or National Adjudicatory Council may have about JSM's corrective action or the Letter of Acceptance Waiver and Consent.

By:



Barry J. Kronemer
Chief Compliance Officer
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