

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT

20050000137-01

RECEIVED

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**TO: Market Regulation Department
NASD**

**RE: Archipelago Securities L.L.C., Respondent
Broker-Dealer
CRD No. 102500**

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

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

ARRB 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:

ARRB has been a member of NASD since March 24, 2000. ARRB does not have any relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

ARRB 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 ARRB;
- 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, ARRB 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.

ARRB 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

This matter arose out of a review, MRD200449123 / 20050000137¹, conducted by the staff of the Department of Market Regulation of NASD of ARRB's compliance with NASD Rules applicable to Order Audit Trail System ("OATS") reporting for the period July 1, 2004 through September 30, 2004 ("review period"). The staff also reviewed ARRB's written supervisory procedures applicable to OATS that were in effect during the review period. The sanctions set forth below reflect the credit that the firm has been given for identifying and addressing the cause of the violations prior to an NASD inquiry.

A. ARRB 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, ARRB transmitted to OATS 3,980,432 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports failed to match to the related order reports submitted to SuperMontage or SelectNet. These inaccurate reports represented approximately 57 percent of all Route Reports or Combined Order/Route Reports that OATS attempted to match 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 Conduct Rule 2110.

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

A censure and a fine of \$10,000.

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.

¹ On January 3, 2005 the NASD implemented a new matter tracking system. The new number assigned to this matter is referenced above following the original number assigned by the previous tracking system.

III.

OTHER MATTERS

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

ARRB certifies that ARRB 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 ARRB to submit it.

Archipelago Securities L.L.C.

June 22, 2006
Date

By: Christopher Meade
Name: CHRISTOPHER MEADE
Title: Chief Compliance Officer

Reviewed by:

Janet O. Burt
Counsel for Respondent

Accepted by NASD:

7/25/06
Date

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

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