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REGISTRATION & DISCLOSURE

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. ##
20050016413-02

TO: Department of Market Regulation
NASD

RE: BMO Capital Markets Corp., Respondent
Broker-Dealer
CRD No. 16686

Pursuant to Rule 9216 of NASD Code of Procedure, BMO Capital Markets Corp. (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 the firm alleging violations based on the same factual findings.

The firm 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 ("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 the firm; and
3. If accepted:
 - a. this AWC will become part of the firm'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 the firm'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-8310-3; and
 - d. 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. Nothing in this provision affects the firm's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

The firm 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 disciplinary history are as follows:

The firm has been a member of NASD since October 29, 1985 and its registration remains in effect. The firm has no relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

The firm 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 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 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 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.

The firm 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 20050016413, the staff reviewed the firm's compliance with limit order display rules during the period January 1, 2005 through March 31, 2005.

In connection with 20050017996, the staff reviewed the firm's compliance with trade reporting rules during the period January 1, 2005 through April 30, 2005.

In connection with 20050017923, the staff reviewed the firm's compliance with trade reporting rules during the period January 1, 2005 through April 30, 2005.

- 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 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:

20050016413

1. On 94 occasions during the period of January 1, 2005 through March 31, 2005, the firm failed to display immediately 94 customer limit orders in Nasdaq securities in its public quotation, when each such order was at a price that would have improved the firm's bid or offer in each such security; or when the order was priced equal to the firm's bid or offer and the national best bid or offer for each such security, and the size of the order represented more than a *de minimis* change in relation to the size associated with the firm's bid or offer in each such security. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 604 of Regulation NMS.

20050017996

2. The firm failed, within 90 seconds after execution, to transmit through the Nasdaq Market Center or TRACS, 649 last sale reports of transactions in Nasdaq securities. These transactions constitute 17 percent of the transactions reviewed that the firm was required to report to the Nasdaq Market Center or TRACS during the period January 1, 2005 through April 30, 2005. The conduct described in this paragraph constitutes a pattern or practice of late reporting without exceptional circumstances in violation of NASD Conduct Rule 2110.

3. The firm incorrectly designated as “.SLD” through the Nasdaq Market Center or TRACS, 71 last sale reports of transactions in Nasdaq securities reported to the Nasdaq Market Center within 90 seconds of execution. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 5430(a).

20050017923

4. The firm failed, within 90 seconds after execution, to transmit through the Nasdaq Market Center, 261 last sale reports of transactions in OTC Equity securities. These transactions constitute 25 percent of the transactions reviewed that the firm was required to report to the Nasdaq Market Center during the period January 1, 2005 through April 30, 2005. The conduct described in this paragraph constitutes a pattern or practice of late reporting without exceptional circumstances in violation of NASD Conduct Rule 2110.
5. Of the 261 last sale reports of transactions in OTC Equity securities referenced above, the firm failed to designate through the Nasdaq Market Center 235 last sale reports as late. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6620(a).
6. The firm incorrectly designated as “.T” through the Nasdaq Market Center, 10 last sale reports of transactions in OTC Equity securities executed during normal market hours. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6620(a)(3).

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

A censure and fine of \$10,000 comprised of the following:

- \$5,000 fine in connection with 20050016413 for SEC Rule 604 violations;
- \$2,500 fine in connection with 20050017996 for NASD Conduct Rule 2110 and NASD Marketplace Rule 5430 violations; and
- \$2,500 fine in connection with 20050017923 for NASD Conduct Rule 2110 and NASD Marketplace Rule 6620 violations.

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

III.

OTHER MATTERS

- A. The firm understands that it 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 NASD, nor does it reflect the views of NASD or its staff.
- B. The firm 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 has attached an Election of Payment form showing the method by which the firm proposes to pay any fine imposed.
- C. The firm specifically and voluntarily waives any right to claim that the firm is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

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, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce the firm to submit it.

MAY 23, 2007
Date

Respondent
BMO Capital Markets Corp.

By: Peter Hinnon

Name: PETER HINNON

Title: CHIEF OPERATING OFFICER

Reviewed by:

Mary J. Dunbar
Counsel for Respondent

Accepted by NASD:

6/13/07
Date

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

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