

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2006003803901

TO: Department of Enforcement
NASD

RE: State Street Global Markets, LLC
Member
CRD No. 30107

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

We understand 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 Enforcement, 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 us; and
3. If accepted:
 - a. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by the NASD or any other regulator against us;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about our 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. we 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 our testimonial obligations or right to take legal or factual positions in litigation in which

the NASD is not a party.

We also understand that our 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:

SSGM has been an NASD member since June 1992. At all times referenced herein, SSGM's main office was located in Boston, Massachusetts. SSGM is a wholly owned subsidiary of State Street Corporation. In November 2005, NASD accepted an AWC from SSGM for failing to report corporate and municipal bond trades to TRACE and MSRB, for having deficient supervisory procedures in place regarding their TRACE and MSRB reporting duties, and for failing to keep accurate order ticket records. SSGM was censured and fined \$1.4 million as a result of this action.

I.

WAIVER OF PROCEDURAL RIGHTS

We specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against us;
- 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, we specifically and voluntarily waive 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.

We further specifically and voluntarily waive 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

- A. We hereby accept and consent, 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:

DEFICIENT SUPERVISORY SYSTEM AND PROCEDURES

NASD Conduct Rule 3010(a) requires member firms to establish, maintain and enforce a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations. Required components of a "reasonable" supervisory system include establishing, maintaining and enforcing written supervisory procedures designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD rules. See NASD Conduct Rule 3010(b).

Rule 17a-4 promulgated under the Securities Exchange Act of 1934 ("Exchange Act") requires that brokerage firms maintain and preserve, for a period of not less than three years, electronic communications relating to the firm's business as a broker-dealer. In Notice to Members 01-80 and 03-33, NASD communicated to members their recordkeeping and supervisory obligations with respect to electronic communications, including e-mail and instant messaging ("IM").

From at least March 28, 2005 to the present (the "relevant period"), SSGM has failed to implement an adequate supervisory system and written procedures designed to ensure that all electronic communications relating to its business as a broker-dealer are captured and retained. Specifically, the firm's system for capturing IM relies on the user/employee to manually synchronize their SSGM network login password to their IM login password. In the event that the passwords are not properly manually synchronized, then the mechanism to capture the IM communications is disabled. Despite the firm's reliance on this manual synchronization of passwords, SSGM's supervisory system and written procedures has failed to provide for effective follow-up and review or other monitoring of IM usage at the firm to ensure that all IM users had properly synchronized their passwords and that all electronic communications were being retained. As noted below, SSGM's deficient supervisory system and written procedures resulted in the firm's failure to retain all business-related IM during the relevant period. This conduct constitutes separate and distinct violations of NASD Conduct Rules 3010 and 2110.

FAILURE TO PRESERVE ELECTRONIC COMMUNICATIONS

During the relevant period, SSGM failed to maintain and preserve all business-related IM sent and received by its registered representatives. This conduct constitutes separate and distinct violations of Exchange Act Rule 17a-4 and NASD Conduct Rules 3110 and 2110.

B. We also consent to the imposition, at a maximum, of the following sanctions:

- A censure; and
- A \$100,000 fine

In addition, we shall comply with the following undertakings within the time periods listed below (unless otherwise extended by NASD staff upon good cause shown by SSGM):

1. SSGM shall undertake to review its procedures regarding the preservation of electronic mail communications for compliance with NASD rules and the federal securities laws and regulations. Within 270 calendar days of the issuance of this AWC, an officer of SSGM will certify to NASD in writing that it has completed its review and that it has established systems and procedures reasonably designed to achieve compliance with those laws, regulations, and rules concerning the preservation of electronic mail communications.
2. The certification, along with the procedures, must be submitted to NASD's Boston District Office Staff. Although NASD staff may review the revised procedures, said review shall in no way constitute an approval of the revised procedures. The failure of NASD staff to alert SSGM to any deficiencies in the revised procedures shall not preclude NASD from instituting a subsequent disciplinary action as a result of deficiencies in the revised procedures.

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

III.

OTHER MATTERS

- A. We understand that we may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We further understand that we 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. We agree to pay any monetary sanctions imposed on us 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 we propose to pay any fine imposed.

- C. We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

We certify that we have read and understand all of the provisions of this AWC and have 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 us to submit it.

State Street Global Markets, LLC

April 11th 2007
Date

By: 

Title: P. B. Smith - CEO

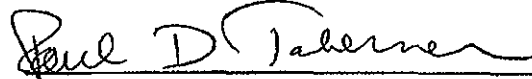
Reviewed by Counsel for SSGM:

R. Bryan Woodard
R. Bryan Woodard, Esq.

Accepted by NASD

4/24/07
Date

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



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