

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20060039724-01**

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REGISTRATION & DISCLOSURE

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: INTL Trading, Inc., Respondent
Broker-Dealer
[CRD No. 45993]

Pursuant to NASD Rule 9216 of the FINRA Code of Procedure, INTL Trading, Inc. (the "firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- 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 FINRA, or to which FINRA 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 FINRA:

BACKGROUND

The firm has been a member of FINRA since March 22, 1999 and its registration remains effective.

RELEVANT PRIOR DISCIPLINARY HISTORY

- On July 7, 2005, an AWC became final in which the firm was censured and fined a total of \$5,000 for violating NASD Rule 6130.
- On October 14, 2003, an AWC became final in which the firm was censured and fined a total of \$35,000 for violating, among other rules, NASD Rules 3010 and 6620.

FACTS AND VIOLATIVE CONDUCT

In 20060039724, from February 13 through 16, 2006, the Trading and Market Making Surveillance Team conducted an examination of the firm of varying scope and duration as set forth in Exhibit 1. This is a result of that examination.

In 20070084485, FINRA's Department of Market Regulation conducted a review of the firm's compliance with FINRA rules applicable to market order protection in Nasdaq securities during the period July 1, 2006 through September 30, 2006.

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1. The firm failed to report to the Nasdaq Market Center (now the FINRA/Nasdaq Trade Reporting Facility) the correct symbol indicating whether the firm executed 38 transactions in Reportable Securities in a principal or agency capacity. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6130(d).
2. The firm incorrectly reported the second leg of four "riskless" principal transaction(s) as "principal" to the Nasdaq Market Center (now the FINRA/Nasdaq Trade Reporting Facility). The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6620.
3. The firm failed to partially execute four customer limit orders within five minutes of activation. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule IM-2110-2 (formerly NASD Rule 6541)
4. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of NASD. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
 - (a). specific identification of the individual(s) responsible for supervision;
 - (b). the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c). the frequency of such reviews; and
 - (d). how such reviews shall be documented.

The firm's written supervisory procedures failed to provide for one or more of the four above-cited minimum requirements for adequate written supervisory procedures, in the following subject areas:

- **Best Execution** [NASD Rule 2320(g) - the "Three-Quote Rule"] [(a), (b), (c) and (d)].
- **Best Execution** [for orders executed as: principal, riskless principal, agent, block sized orders, not held orders, "crossing orders" (i.e. market and marketable limit

orders against non displayed limit orders priced better than the displayed market), and regular and rigorous reviews]; and **Other Trading Rules** [ensure compliance with the requirements for the firm to honor its quotes and refrain from backing away] [(b) and (c)].

- **Order Handling** [SEC Rule 605 - disclosure of order execution information] and **Trade Reporting** [ensuring accurate and timely trade reports] [(b) and (d)].
- **Order Handling** [SEC Rule 604 - limit order display, SEC Rule 605 - disclosure of order execution information, 606 - disclosure of order routing information, NASD Rule 2110 and IM-2110-2 - limit order protection]; **Trade Reporting** [trades reported on the firm's behalf]; and **Other Trading Rules** [activity during a trading halt] [(b)].

The conduct described in this paragraph constitutes a violation of NASD Rules 2110 and 3010.

5. The firm failed to provide documentary evidence that, on the trade dates reviewed in the TMMS examination, it performed the supervisory reviews set forth in its written supervisory procedures concerning: **Order Handling** [SEC Rule 604 limit order display, NASD Rule 2110 and IM-2110-2 limit order protection]; **Best Execution** [for orders executed as: principal, riskless principal, agent, block sized orders, not held orders, "crossing orders" (i.e. market and marketable limit orders against non displayed limit orders priced better than the displayed market) and regular and rigorous reviews, and NASD Rule 2320(g) the "Three-Quote Rule"]; **Trade Reporting** [ensuring accurate and timely trade reports and trades reported on a firm's behalf]; and **Other Trading Rules** [ensuring compliance with firm's activity during a trading halt]; [(no evidence provided)]. The conduct described in this paragraph constitutes violations of NASD Conduct Rules 2110 and 3010.

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6. On 48 occasions during the period of through July 1, 2006, through September 30, 2006, the firm, in 48 instances, traded a Nasdaq security for its own account at prices that would satisfy an open customer market order without giving the customer orders a contemporaneous fill or partial execution either: (1) at the same or better price for the number of shares that were traded ahead, or (2) for the number of shares that were traded ahead within 60 seconds and at the same price received by the proprietary transactions, as reflected on Exhibit 2. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 2110 and 2111(b).

B. The firm also consents to the imposition of the following sanctions:

- A censure.
- A total fine of \$40,000 (consisting of \$20,000 for the trade reporting violations; \$7,500 for the limit and market order protection violations; \$12,500 for the supervision violations).
- **Restitution** by Respondent to the investors listed on Exhibit 2 hereto in the total amount of \$105.00, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this Letter of Acceptance, Waiver and Consent is accepted by the National Adjudicatory Council. A registered principal of the firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution, to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850 or in an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, no later than 120 days after acceptance of this Letter of Acceptance, Waiver and Consent. If for any reason, Respondent cannot locate any customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer last resided.
- An **undertaking** to revise the firm's written supervisory procedures with respect to the areas described in paragraph four. Within 45 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, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, 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 this paragraph; and (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under FINRA'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 National Adjudicatory Council ("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 NASD Rule 9143 or the separation of functions prohibitions of NASD 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.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and

C. If accepted:

1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
4. 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. The firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. The firm 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 FINRA, nor does it reflect the views of FINRA or its staff.

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; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

August 13, 2008
Date

Respondent
INTL Trading, Inc.

By: Nancey M. McMurtry

Name: Nancey M. McMurtry

Title: CCO

Reviewed by:

Attorney Name
Counsel for Respondent
Firm Name
Address
City/State/Zip
Phone Number
Accepted by FINRA:

9/5/08
Date

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

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

INTL Trading, Inc. ("INTL")
TMMS Exam 20060039724

The staff reviewed the following samples during the examination:

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
3	Customer and proprietary sale transactions, for compliance with SEC Rules 200(g) and/or 203(b),	from trade dates December 15 and 16, 2005.
101	Customer and proprietary sales, for compliance with NASD Rule 6130 (ACT Short Sale Reporting),	from trade dates December 15 and 16, 2005.
0	Short sales in NNM securities, for compliance with NASD Rule 3350 (Bid Test),	from trade dates December 15 and 16, 2005.
0	Short sales in CQS securities, for compliance with SEC Rule 10a-1 (Tick Test),	from trade dates December 15 and 16, 2005.
50	Limit orders executed as principal, for compliance with NASD Rules 2110 (and IM-2110-2), 6440, 6541 and 2320, and SEC Rules 11Ac1-1 and 11Ac1-4,	from trade dates December 15 and 16, 2005.
0	"Non displayed" limit orders and marketable orders in the same securities received while holding the "non-displayed" orders, for compliance with NASD Rule 2320	from trade dates December 15 and 16, 2005.
42	Limit and market orders executed in a principal or riskless principal capacity, for compliance with capacity reporting under NASD Trade Reporting and ACT rules,	from trade dates December 15 and 16, 2005.
N/A	Order for NASDAQ securities in soft dollar accounts and 0 related execution, for compliance with trade reporting rules and the safe harbor limitations of SEC section 28(e),	N/A
0	Open buy limit orders and stop sell limit orders in securities traded ex-dividend, for compliance with NASD Rule 3220,	from trade dates December 15 and 16, 2005.
NA	Trades reported and modified through a mixed capacity regulatory report, for compliance with NASD Rule 6130	N/A

INTL Trading, Inc. ("INTL")
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<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
0	Trades in NNM or SC securities reported with a .PRP modifier, for compliance with NASD Rules 4632 and 2320	from trade dates December 15 and 16, 2005.
25	Customer transactions in OTCBB and OTC equity securities, for compliance with NASD Rules 3110(b) and 2320	from trade dates December 15 and 16, 2005.
N/A	Orders in securities for which the firm was a market center, for compliance with the order size/type classification requirements of SEC Rule 11Ac1-5,	N/A
N/A	Security/size/order data statistics published on the firm's monthly order execution report, for compliance with SEC Rule 11Ac1-5,	N/A
N/A	Data published on the firm's quarterly order routing report, for compliance with SEC Rule 11Ac1-6,	N/A
29	Cancelled transactions in compliance with NASD Rules 4632(g), 4642(g), 4652(g), 6420(f), 6620(f) and SEC Rule 17a-3(a)(6) and (a)(7),	from trade dates December 15 and 16, 2005.
15	Persons engaged in the firm's trading and market making activities, for compliance with NASD Registration rules,	from trading staff in December 2005.
~~202~~ 197	Order/trade records prepared and maintained in connection with the above samples, for general compliance with NASD Rule 3110 and SEC Rules 17a-3 and 17a-4,	from trade dates December 15 and 16, 2005.
~~217~~ 213	Trades reported to ACT or TRACS in connection with the above samples, for general compliance with NASD Trade Reporting and ACT rules,	from trade dates December 15 and 16, 2005.
0	Customer trade confirmations reviewed in connection with the above samples, for compliance with SEC Rule 10b-10,	from trade dates December 15 and 16, 2005.
50	Orders in NNM or SC securities submitted to OATS, for compliance with NASD Rule 6955,	from trade dates December 15 and 16, 2005.

**INTL Trading, Inc. ("INTL")
TMMS Exam 20060039724**

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
N/A	The firm's establishment and implementation of "regular & rigorous" reviews of the execution quality of orders sent to other market centers and internalized, for compliance with NASD Rules 2320 and 3010,	N/A
N/A	The firm's establishment and implementation of a supervisory system and written supervisory procedures, for compliance with NASD Rule 3010	based on WSPs in effect during December 2005.

Exhibit 2

Exhibit 2

	Restitution Category
(27.48 - 37.47) *	
(17.2-17.59)*1	
(\$17.21- \$17.26)	
(13.97- \$14.20) *	
(\$14.20 - \$14.22)	
(11.2-11.29)*1	
(5.84 - 5.85) *	
(4.83 - 4.85) *	
(0.76 - 0.775) *	
	Restitution Amount

Corrective Action Statement

Re: Letter of Acceptance, Waiver and Consent
20060039724 (includes 20070084485)

In February, 2006 at the time of the Trading and Market Making Surveillance Exam, INTL Trading, Inc. ("INTL") was in the process of reviewing and revising its equity market making supervisory procedures with the assistance of an independent consultant. This process was completed in the second half of 2006. The procedures have been further modified as required since that time. All supervisory procedures questioned during the examination are documented within the current procedures.

Specifically relating to the matter addressed in 20070084485, INTL discontinued that portion of its business in which the violations occurred in September, 2006. It has no current plans to reinstitute the business.

In June, 2008 the firm established the position of Trading Desk Supervisor. This position is filled by an individual with Series 24 and Series 55 qualifications who has no trading responsibilities, has only supervisory responsibilities and reports directly to the Head of Equity Capital Markets. The intent of creating this position is to increase the supervisory capacity and oversight to the equity trading department over and above the functional trading supervisors already in place.

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.