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REGISTRATION & DISCLOSURE

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20060046195-01**

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

RE: Direct Edge ECN, LLC, Respondent
Broker-Dealer
CRD No. 135981

Pursuant to NASD Rule 9216 of the FINRA Code of Procedure, Direct Edge ECN, LLC (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

Direct Edge ECN, LLC, has been a member of FINRA, formerly known as NASD, since September of 2005, and its registration remains in effect. The firm has no relevant prior disciplinary history.

SUMMARY

The staff of the Department of Market Regulation of FINRA (the "staff") conducted the following reviews:

- 20060046195, a review of the firm's compliance with NASD Marketplace Rule 4300A for the period January 1, 2006 through March 31, 2006;
- 20060055112, a review of the firm's compliance with NASD Marketplace Rule 4300A for the period October 1, 2005 through March 31, 2006;
- 20060055618, a review of the firm's compliance with NASD Marketplace Rule 4300A for the period October 1, 2005 through March 31, 2006;
- 20060056439, a review of the firm's compliance with NASD Marketplace Rule 4300A for the period January 1, 2006 through March 31, 2006;
- 20070076926, a review of the firm's compliance with NASD Marketplace Rule 4300A for the period November 1, 2006 through November 30, 2006;
- 20070079551, a review of the firm's compliance with SEC Rule 602 and NASD Marketplace Rule 3320 for the period October 1, 2006 through December 31, 2006;
- 20070080421, a review of the firm's compliance with NASD Marketplace Rule 4300A for the period October 1, 2006 through December 31, 2006; and
- 20070083798, a review of the firm's compliance with SEC Rule 602 and NASD Marketplace Rule 3320 for the period October 1, 2006 through December 31, 2006.

FACTS AND VIOLATIVE CONDUCT

20060046195

1. During the period January 1, 2006 through March 31, 2006, the firm failed to correctly report 390,402 orders to the Alternative Display Facility ("ADF"). The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 4300A(b).

20060055112

2. In 25 instances during the period October 1, 2005 through March 31, 2006, the firm failed to report required order information to the ADF within ten seconds of receipt of an order, or any response to or action taken regarding an order. The conduct

described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 4300A(b).

3. The firm'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 NASD Marketplace Rule 4300A. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes a violation of NASD Conduct Rules 2110 and 3010.

20060055618

4. In four instances during the period October 1, 2005 through March 31, 2006, the firm failed to report required order information to the ADF within ten seconds of receipt of an order, or any response to or action taken regarding an order. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 4300A(b).

20060056439

5. In 75 instances during the period January 1, 2006 through March 31, 2006, the firm failed to respond to orders received via direct electronic access or from another Market Participant within two or three seconds, respectively. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 4300A(c).

20070076926

6. In 25 instances during the period November 1, 2006 through November 30, 2006, the firm failed to report required order information to the ADF within ten seconds of receipt of an order, or any response to or action taken regarding an order. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 4300A(b).

20070079551

7. In 20 instances involving Nasdaq securities during the period October 1, 2006 through December 31, 2006, an order was presented to the firm at the firm's published bid or published offer in an amount up to its published quotation size. The firm failed to execute the orders upon presentment and thereby failed to honor its published quotation. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 602 and NASD Conduct Rule 3320.

20070080421

8. In ten instances during the period October 1, 2006 through December 31, 2006, the firm failed to report required order information to the ADF within ten seconds of receipt of an order, or any response to or action taken regarding an order. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 4300A(b).

20070083798

9. In 107 instances involving listed securities during the period October 1, 2006 through December 31, 2006, an order was presented to the firm at the firm's published bid or published offer in an amount up to its published quotation size. The firm failed to execute the orders upon presentment and thereby failed to honor its published quotation. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 602 and NASD Conduct Rule 3320.

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

A censure and a fine of \$50,000 (comprised of a \$15,000 fine for the violations identified in connection with 20060046195; a \$10,000 fine for the violations identified in connection with 20060055112, 20060055618, 20070076926, and 20070080421; a \$5,000 fine for the supervision violations identified in 20060055112; a \$5,000 fine for the violations identified in connection with 20060056439; and a \$15,000 fine for the violations identified in connection with 20070079551 and 20070083798).

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**

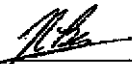
The firm understands that:

- 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.

October 03, 2007
Date

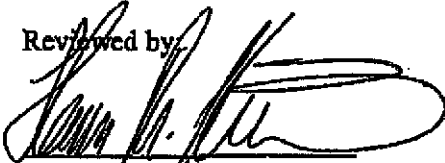
Direct Edge ECN, LLC

By: 

Name: Romeo Bermudez

Title: Chief Compliance Officer

Reviewed by:



Counsel for Respondent

Accepted by FINRA:

11/16/07
Date

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


Thomas R. Gira
Executive Vice President
Department of Market Regulation