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REGISTRATION & DISCLOSURE

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20060061841-01**

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

RE: Cowen and Company, LLC, Respondent
Broker/Dealer
CRD No. 7616

Pursuant to Rule 9216 of the FINRA Code of Procedure, Cowen and Company, 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

The firm has been a member of FINRA (f/k/a NASD) since May 23, 1978, and its registration remains in effect.

RELEVANT PRIOR DISCIPLINARY HISTORY

- On December 26, 2003, an AWC was accepted in which the firm was censured and fined \$230,000 for violations of the rules and regulations applicable to, among other things, trade reporting and supervision.

VIOLATIVE CONDUCT BY RESPONDENT

The Trading and Market Making Surveillance staff reviewed the trading activity of the firm set forth in Exhibit 1 for trade dates August 3 to August 4, 2006, unless otherwise noted.

1. The firm incorrectly reported to the FINRA/NASDAQ Trade Reporting Facility (the "FNTRF") the first leg of 209 "riskless" principal transaction(s) in designated securities because it incorrectly designated the capacity of such transaction(s) as "riskless" or "agent." The firm incorrectly reported to the Nasdaq Trade Reporting Facility the offsetting, "riskless" portion of three "riskless" principal transaction(s) in designated securities because it incorrectly designated the capacity of such transaction(s) as principal. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6130(d).
2. The firm failed to report to the FNTRF 19 last sale reports of transactions in designated securities. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 4632(b).
3. During the review period, in 28 instances, the firm incorrectly denoted a long sale as short exempt on its trading ledger. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 200(g) of Regulation SHO.
4. During August 2006, 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: market order protection [(a), (b), (c) and (d)]; and trade reporting [(b)]. The conduct described in this paragraph constitutes violations of NASD Conduct Rules 2110 and 3010.

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

A censure and a fine of \$15,000 (\$5,000 for the Trade Reporting violations, \$5,000 for the Regulation SHO violations, and \$5,000 for the supervisory violations), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.4.

Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("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 paragraph I.A.4; 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 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.

APRIL 24, 2008
Date

Cowen and Company, LLC

By: [Signature]

Name: T. Kevin McCarthy

Title: General Counsel

Reviewed by:

Counsel for Respondent

Accepted by FINRA:

5/20/08
Date

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

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Scope of the Trading and Market Making Surveillance Examination

FINRA staff reviewed the following samples during the examination:

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
532	customer and proprietary sale transactions, for compliance with SEC Rules 200(g) and/or 203(b),	from trade date August 3 to 4, 2006
371	customer and proprietary sales, for compliance with NASD Rule 6130,	from trade date August 3 to 4, 2006
0	short sale in NNM securities, for compliance with NASD Rule 3350,	from trade date August 3 to 4, 2006
0	short sales in CQS securities, for compliance with SEC Rule 10a-1 (Tick Test),	from trade date August 3 to 4, 2006
55	cancelled trades for compliance with NASD Rules 3110, 4632(g), 4642(g), 4652(g), 6420(f), and 6620(f) and SEC Rule 17a-3(a)(6) and (a)(7),	from trade date August 3 to 4, 2006
9	limit orders executed as principal, for compliance with NASD Rules 2110 (and IM-2110-2), 6440, 6541 and 2320, and SEC Rules 602 and 604,	from trade date August 3 to 4, 2006
6	"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 date August 3 to 4, 2006
22	limit and market orders and 143 trades executed in a principal or riskless principal capacity, for compliance with capacity reporting under NASD Trade Reporting and ACT rules	from trade date August 3 to 4, 2006
21	not held market orders for compliance with NASD Rule 2320	from trade date August 3 to 4, 2006
4	orders for NASDAQ securities in soft dollar accounts and 128 related executions, for compliance with trade reporting rules and the safe harbor limitations of SEC section 28(e),	from trade date August 3 to 4, 2006
0	open buy limit orders and 0 stop sell limit orders in securities traded ex-dividend, for compliance with NASD Rule 3220,	from trade date August 3 to 4, 2006
N/A	trades reported and modified through a mixed capacity regulatory report, for compliance with NASD Rule 6130,	from trade date August 3 to 4, 2006

Exhibit #1

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
N/A	trades in NNM/ SC, CQS, or OTC/OTCBB securities reported with a .PRP modifier, for compliance with NASD Rules 4632/4642/6420/6620 and 2320,	from trade date August 3 to 4, 2006
25	orders in securities for which the firm was a market center, for compliance with the order size/type classification requirements of SEC Rule 605,	from trade date August 3 to 4, 2006
(11 orders, 4 groups)	security/size/order data statistics published on the firm's monthly order execution report, for compliance with SEC Rule 605,	from the report for June 2006
N/A	data published on the firm's quarterly order routing report, for compliance with SEC Rule 606,	from the report for 3rd Quarter, 2006
13	customer transactions in OTCBB and OTC equity securities, for compliance with NASD Rules 3110(b) and 2320,	from trade date August 3 to 4, 2006
11	persons engaged in the firm's trading and market making activities, for compliance with NASD Registration rules,	from trading staff in August 2006.
707	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 date August 3 to 4, 2006 and various trade dates throughout June 2006
1980	trades reported to ACT or TRACS in connection with the above samples, for general compliance with NASD Trade Reporting and ACT rules,	from trade date August 3 to 4, 2006
77	customer trade confirmations reviewed in connection with the above samples, for compliance with SEC Rule 10b-10,	from trade date August 3 to 4, 2006
50	orders in NNM or SC securities submitted to OATS, for compliance with NASD Rule 6955,	from trade date August 3 to 4, 2006
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,	based on WSPs in effect during August 2006.
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 August 2006.