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FINRA & DISCLOSURE

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20060064903-01**

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

RE: ICAP Corporates LLC, Respondent
Broker/Dealer
CRD No. 2762

Pursuant to FINRA Rule 9216 of FINRA Code of Procedure, ICAP Corporates 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 since February 2, 1966, and its registration remains in effect. The firm has the following relevant disciplinary history:

- On March 22, 2005, FINRA accepted an AWC which censured and fined the firm \$11,000, of which \$6,000 was for late trade reporting violations during the review period January 1, 2004 through April 30, 2004 (Matter No. 200446436).
- On November 23, 2005, FINRA accepted an AWC which fined the firm \$5,000 for OATS reporting violations during the review period April 1, 2004 through June 30, 2004 (Matter No. 20050000118).

SUMMARY

In Review No. 20060064903, the staff conducted a regulatory sweep regarding late trade reporting for the review period May 1, 2006 through August 31, 2006.

In Review No. 20070106598, the staff conducted a regulatory sweep regarding late trade reporting for the review period January 1, 2007 through April 30, 2007.

In Review No. 20070078298, the staff of the FINRA Department of Market Regulation ("the staff") conducted a Trading and Market Making Surveillance Examination ("TMMS Examination"), which included the trading activities of the firm, as set forth on Exhibit 1, for the trade dates January 8, 2007 through January 12, 2007.

In Review No. 20080152625, the staff conducted a regulatory sweep regarding late trade reporting for the review period May 1, 2008 through August 31, 2008.

VIOLATIVE CONDUCT BY RESPONDENT

In connection with Review No. 20060064903:

1. The firm failed, within 90 seconds after execution, to transmit to the OTC Reporting Facility ("OTCRF") 141 last sale reports of transactions in OTC Equity securities. These transactions constitute 16.08 percent of the transactions reviewed that the firm reported to the OTCRF during the review period. In addition, the firm failed to designate to 35 of such last sale reports as late. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6620(a) and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Rule 2110.

In connection with Review No. 20070106598:

2. The firm failed, within 90 seconds after execution, to transmit to the NASD/Nasdaq Trade Reporting Facility ("TRF") 137 last sale reports of transactions in designated securities. These transactions constitute 17.65 percent of the transactions reviewed that the firm reported to the TRF during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 4632(a) and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Rule 2110.

In connection with Review No. 20080152625:

3. The firm failed, within 90 seconds after execution, to transmit to the TRF 127 last sale reports of transactions in designated securities. These transactions constitute 4.1 percent of the transactions reviewed that the firm reported to the TRF during the review period. In addition, the firm failed to designate nine of such reports as late, and failed to report the correct time of execution for 14 of such reports. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 4632(a) and 6130(d), and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Rule 2110.

In connection with Review No. 20070078298:

4. The firm failed to report to the TRF the correct time of execution in four last sale reports of transactions in Reportable Securities; the correct symbol indicating whether the transaction was a buy, sell, sell short, or cross for 55 transactions in Reportable Securities; and the correct symbol indicating the capacity in which the firm executed 86 transactions in Reportable Securities. The firm also incorrectly reported the second leg of 112 "riskless" principal transaction(s) as "agent" to the TRF. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6130(d),

5. The firm failed to transmit 10 Reportable Order Events ("ROEs") on three business days during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).

6. The firm executed 54 short sale orders and failed to properly mark the orders as short during the review period. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 200(g) of Regulation SHO.

7. The firm, on 13 occasions, accepted a short sale order in an equity security from another person, or effected a short sale in an equity security for its own account, without (1) borrowing the security, or entering into a bona-fide arrangement to borrow the security; or (2) having reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due; and (3) documenting compliance with SEC Rule 203(b)(1) of Regulation SHO. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 203(b)(1) of Regulation SHO.

8. The firm failed on 16 occasions to provide written notification disclosing to its customer its correct capacity in the transaction, and on seven occasions when it acted as principal for its own account, failed to provide written notification disclosing to its customer that it was a market maker in each such security. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.

9. 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 order handling; trade reporting; order marking; short sale reporting; and OATS reporting. Specifically, the firm's supervisory system did not include written supervisory procedures providing for 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 violations of NASD Rules 2110 and 3010.

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

A censure, a fine of \$75,000 (\$37,500 for the combined trade reporting violations; \$7,500 for the trade report input and order marking violations; \$15,000 for the OATS reporting violations; \$2,500 for the customer confirmation violations; \$7,500 for the Locate Rule violations; and \$5,000 for the supervision violations), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.9 above.

In addition, 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.9. above; and (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments 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 the firm is unable to pay, now or at any time hereafter, the monetary sanctions 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 FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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, pursuant to FINRA 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:

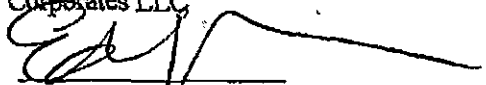
1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA 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 testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. The firm understands that it may attach a Corrective Action Statement to this AWC, which is a statement by the Respondent of demonstrable corrective steps taken to prevent future misconduct. Respondent may not deny the findings 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 a duly authorized officer has read and understood 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.

12/11/09
Date

ICAP Corporates LLC

By: 

Name: Edward Joseph Murak, Jr.

Title: Co-President

Reviewed by: 

JAMES A. MURAK, JR.
Associate Counsel ICAP

Counsel for Respondent

Accepted by FINRA:

12/28/2009
Date

Thomas R. Gira

Thomas R. Gira 47 997

Executive Vice President

Market Regulation

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

TMMS Exam: 20070078298

Exhibit #1

The staff reviewed the following samples during the examination:

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
152	customer and proprietary sell orders, for compliance with SEC Rules 200(g) and/or 203(b),	from trade dates January 8 - 12, 2007,
846	customer and proprietary sales, for compliance with NASD Rule 6130,	from trade dates January 8 - 12, 2007,
8	limit and market orders executed as principal, for compliance with NASD Rules 2110 (and IM-2110-2) 2111, 6440, 6541 and 2320, and SEC Rules 601 and 604,	from trade dates January 8 - 12, 2007,
16	Cancelled transactions for compliance with the requirement to cancel trade reports within ninety seconds of cancellation from books and records,	from trade dates January 8 - 12, 2007,
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 dates January 8 - 12, 2007,
5 orders (5 order type categories)	security/size/order data statistics published on the firm's monthly order execution report, for compliance with SEC Rule 605,	from the report published for December of 2006,
N/A	data published on the firm's quarterly order routing report, for compliance with SEC Rule 606,	from the report published for the 4 th Quarter of 2006,
3	customer transactions in OTCBB and OTC equity securities, for compliance with NASD Rules 3110(b) and 2320,	from trade dates January 8 - 12, 2007,
10	persons engaged in the firm's trading and market making activities, for compliance with NASD Registration rules,	from Trading staff in place during January of 2007,
50	orders in NNM or SC securities submitted to OATS, for compliance with NASD Rule 6955,	from trade dates January 8 - 12, 2007,
1006	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 January 8 - 12, 2007,
131	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 January 8 - 12, 2007,
41	customer trade confirmations reviewed in connection with the above samples, for compliance with SEC Rule 10b-10,	from trade dates January 8 - 12, 2007,
128	Orders entered into NASDAQ for general compliance with NASDAQ Rule 4755,	from trade dates January 8 - 12, 2007,

128	Orders entered into NASDAQ for general compliance with NASDAQ Rule 2110,	from trade dates January 8 - 12, 2007,
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 January of 2007,
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 January of 2007.