

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

NO. 20080123271-01

RECEIVED

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REGISTRATION & DISCLOSURE

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

RE: Intrade, LLC, Respondent
Broker-Dealer
CRD No. 104047

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Intrade, 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 became a member of FINRA in 2002, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

This matter is the result of a review conducted by the Department of Market Regulation of the firm's compliance with equity trade reporting rules during the period May 1 through August 31, 2007.

FACTS AND VIOLATIVE CONDUCT

1. From May 1 through August 31, 2007, the firm failed to accept or decline in the NASD/Nasdaq Trade Reporting Facility 152 transactions in Reportable Securities

within 20 minutes after execution. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6130(b).

2. 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 Rule 6130. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the persons responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory steps to be taken by the identified persons; (3) a statement as to how often such persons should take such steps; and (4) a statement as to how the completion of the steps 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 and a fine of \$15,000.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. The firm has submitted an Election of Payment form showing the method by which it propose 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 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 Complaint issued specifying the allegations against the firm;
- B. To be notified of the 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 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 ("ODA"), 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 8313; 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 understand all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to its 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.

February 20, 2009
Date

Respondent
Intrade, LLC

By: R. Botch

Name: Brian Botch

Title: CEO

Reviewed by: Antonia Savarita

Bar

Counsel for Respondent

Accepted by FINRA:

3/20/09
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

STATEMENT OF CORRECTIVE ACTION
Intrade L.L.C. Review No. 20080123271

INTRODUCTION

On February 20, 2009 Intrade L.L.C. (the "Firm") submitted a Letter of Acceptance, Waiver and Consent ("AWC") in response to an investigation by Financial Industry Regulatory Authority, Department of Market Regulation ("FINRA"). In the AWC, the Firm accepted and consented, without admitting or denying the findings, to the entry of FINRA's findings as follows:

1. During the period May 1, 2007 through August 31, 2007 the Firm failed to accept or decline in the NASD/Nasdaq Trade Retorting Facility 152 transactions in Reportable Securities within twenty (20) minutes after execution, pursuant to NASD Rule 6130(b), superseded by FINRA Rule 7230A (effective December 15, 2008 and valid until August 2, 2009) (the "RULE").
2. 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 FINRA, concerning the RULE. Specifically, the Firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the persons responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory steps to be taken by the identified persons; (3) a statement as to how often such persons should take such steps; and (4) a statement as to how the completion of the steps 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.

The Firm respectfully submits the following Statement of Corrective Action to enumerate the demonstrable steps and measures the Firm has taken to ensure that late trade acceptance by the Firm will not reoccur in the future and to correct the FINRA findings.

CORRECTIVE ACTIONS IMPLEMENTED BY THE FIRM

Upon receipt of FINRA letter, dated March 7, 2008, notifying the Firm of the instances in which the Firm appeared to have failed to accept or decline trades within twenty (20) minutes after execution on the FINRA/Nasdaq Trade Reporting Facility operated on the ACT technology platform ("ACT"), the Firm took immediate corrective action, as outlined below. The Firm has been in full compliance with the RULE since March 13, 2008.

1. THE FIRM ESTABLISHED AND ENFORCED A STRICT LINE OF COMMUNICATION WITH ALL COUNTERPARTIES TO AN ACT TRANSACTION

In each ACT transaction in which the Firm is the confirming party, the Firm included and continues to include language in the confirmation e-mail sent to the counterparty, requiring the counterparty to notify the Firm of posting to ACT. This ensures that the Firm receives notification and it is prompted to accept within the twenty (20) minute requirement of the RULE.

2. THE FIRM REQUIRED TRADERS EXECUTING AN ACT TRANSACTION TO MAINTAIN AN OPEN BROWSER CONNECTED TO THE ACT WEBSITE AND TO REFRESH THE WEB BROWSER EVERY TEN (10) MINUTES

The Firm required that all traders who execute an ACT transaction during the trading date must keep a web browser logged into the ACT website <https://www.nasdaqworkstation.com/NNWACT/TradeEntry.aspx>. All traders that execute an ACT transaction are responsible for refreshing the website no less than once every ten (10) minutes to ensure that all trades will be accepted or declined within the twenty (20) minute timeframe.

3. THE FIRM UPDATED ITS WRITTEN SUPERVISORY PROCEDURES TO OUTLINE THE PROCEDURAL STEPS TAKEN TO ENSURE THAT THE FIRM ACCEPTS OR DECLINES TRADES TWENTY (20) MINUTES AFTER EXECUTION AS REQUIRED UNDER THE RULE

In March 2008, the Firm updated its Written Supervisory Procedures to outline the Firm's trade reporting obligations pursuant to the RULE and the procedural steps necessary for trade reporting compliance for all ACT transactions.

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.