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REGISTRATION & DISCLOSURE

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080127627-01

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FINRA
MARKET REGULATION

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

RE: TD Securities (USA) LLC, Respondent
Broker-Dealer
CRD No. 18476

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, TD Securities (USA) LLC ("TDSI" or 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

TDSI has been a member of FINRA since July 24, 1987 and its registration remains in effect. The firm has the following relevant disciplinary history:

- On September 12, 2008, an AWC became final in which the firm was fined \$5,000 for TRACE-reporting violations of NASD Rules 6230(a), 6230(c)(8) and 6230(e).

SUMMARY

In connection with matter 20080127627, the staff of the Department of Market Regulation of FINRA (the "staff") conducted a review of the firm's compliance with rules and regulations relating to the reporting of corporate bond transactions to the Trade Reporting and Compliance Engine ("TRACE") during the period October 1, 2007 through December 31, 2007 (the "initial review period").

In connection with matter 20080155287, the staff conducted a review of the firm's compliance with rules and regulations relating to the reporting of corporate bond transactions to TRACE during the period July 1, 2008 through September 30, 2008 (the "secondary review period").

FACTS AND VIOLATIVE CONDUCT

1. During the initial review period, TDSI failed to report to TRACE 65 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted approximately 18 percent of the 354 inter-dealer reports that the firm submitted to TRACE during the initial review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(a) and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Rule 2110.
 2. During the initial review period, TDSI failed to report to TRACE the correct time of trade execution for 65 transactions in TRACE-eligible securities. These inaccurate reports constituted approximately 18 percent of the 354 inter-dealer reports that the firm submitted to TRACE during the initial review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(c)(8).
 3. During the secondary review period, TDSI failed to report to TRACE 66 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted approximately 21 percent of the 311 inter-dealer reports that the firm submitted to TRACE during the secondary review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(a) and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Rule 2110.
 4. During the secondary review period, TDSI failed to report to TRACE the correct time of trade execution for 66 transactions in TRACE-eligible securities. These inaccurate reports constituted approximately 21 percent of the 311 inter-dealer reports that the firm submitted to TRACE during the secondary review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(c)(8).
 5. TDSI failed to show the correct time of execution on the memorandum of 127 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Rule 3110.
- B. The firm also consents to the imposition of the following sanctions:

A censure and fines totaling \$17,500 (\$15,000 for the firm's TRACE-reporting violations and \$2,500 for the firm's recordkeeping violations).

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 proposes to pay the fines 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 records;
 - 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 undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf 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.

8/19/2009
Date

Respondent
TD Securities (USA) LLC

By: Robin Kaus

Name: Robin Kaus

Title: Chief Compliance Officer

Reviewed by:

Elizabeth L. Ferencik
Counsel for Respondent

Accepted by FINRA:

9/15/09
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



Securities

TD Securities (USA) LLC
31 West 52nd Street
New York, NY 10019-6101

August 20, 2009

Gerard M. Babendreier
FINRA
9509 Key West Avenue
Rockville, MD 20850

Re: STAR Nos. 20080127627 and 2080155287
Corrective Action Statement

Dear Mr. Babendreier:

TD Securities (USA) LLC ("TD Securities" or the "Firm") submits this Corrective Action Statement in connection with the proposed Letter of Acceptance, Waiver and Consent. This Corrective Action Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

This Corrective Action Statement is intended to demonstrate steps the Firm has taken to correct the issues raised by FINRA relating to the Firm's compliance with the reporting of corporate bond transactions to the Trade Reporting and Compliance Engine ("TRACE").

Since the review periods, the Firm has strengthened its surveillance reviews of TRACE reports in the following manner:

1. We routinely employ the trade management tool provided on the TRACE website both same day and next day to review trades where the time of execution may be questionable given the proprietary nature of the trade. As you are aware, TD Securities utilizes the services of other broker dealers to execute its proprietary corporate bond transactions. As such, the Firm is reliant on these trading counterparts to confirm the details of the transaction including time of execution before the Firm can report to TRACE.
2. The trade management tool allows the Firm to monitor the timing of our TRACE reports against those of the relevant broker dealer counterpart and if a difference greater than 15 minutes is occurring, we reach out via email or telephone to the respective counterpart reminding them of their need to notify us timely of our execution.

These two steps have decreased the amount of trades where timing differences occur as evidenced from recent statistics: From June 1, 2009 through August 12, 2009, TD Securities reported 455



TD Securities (USA) LLC

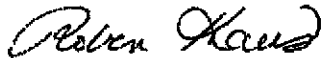
inter dealer trades to TRACE, only 14 of these had an execution time difference greater than 15 minutes, resulting in approximately a 3% variance.

Unfortunately even with the best intentions and significant resources dedicated to these enhanced surveillance activities, we cannot guarantee that our counterparts always take timely corrective action and thus some execution times remain unmatched.

With that said, we are committed to conducting our business in a first class manner and will continue these proactive steps to work with our counterparts when mismatches occur. We are confident that our actions support FINRA's corporate bond market transparency initiatives. In conclusion, we hope that you recognize the seriousness in which we take our responsibilities and our commitment to support a strong compliance culture.

We appreciate the opportunity to submit this statement to the staff of FINRA.

Sincerely,



Robin Kraus
Chief Compliance Officer

Enc.

