

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080135453-01**

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

RE: Daiwa Securities America Inc.
Broker-Dealer
CRD No. 1576

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Daiwa Securities America Inc. (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 January 26, 1965, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has no relevant disciplinary history.

SUMMARY

In Market Regulation Review No. 20080135453, the staff of the Department of Market Regulation ("staff") conducted a review of the firm's compliance with NASD Rule 6955 for the period September 1, 2007 through December 31, 2007.

FACTS AND VIOLATIVE CONDUCT

During the review period, the firm: (a) failed to timely report to the Order Audit Trail System ("OATS") 1,177,006 Reportable Order Events ("ROEs"); (b) transmitted to OATS nine New Order Reports and related subsequent reports

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where the timestamp for the related subsequent report occurred prior to the receipt of the order; and (c) transmitted to OATS two Route or Combined Order/Route Reports that OATS was unable to link to the related order routed to Nasdaq due to inaccurate, incomplete or improperly formatted data. These 1,177,017 ROEs represented 14.4 per cent of all ROES (8,140,244) transmitted to OATS by the firm during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).

- B. The firm also consents to the imposition, at a maximum, of the following sanctions:

A censure and fine \$10,000.

The firm agrees to pay the monetary sanction 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 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 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 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.

3/26/2010

Date

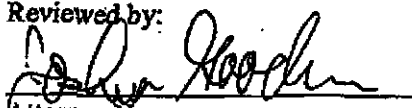
Respondent
Daiwa Securities America Inc.

By: 

Name: STEWART M. SCOTT III

Title: EVP & CCO & Compliance Counsel

Reviewed by:



Attorney Name

Counsel for Respondent

Firm Name Daiwa Securities America

Address 32 Old Slip

City/State/Zip NY, NY 10005

Phone Number 212-612-6272

Accepted by FINRA:

4/20/10
Date

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


Thomas R. Gira
Executive Vice President
Department of Market Regulation

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.

Statement of Corrective Action

Daiwa Securities America Inc. ("DSA") makes this statement to detail the corrective action taken since the IT coding error in 2007 led to the failure to timely report 1,177,006 Reportable Order Events ("IT Coding Error"). Once it learned of the 2007 IT Coding Error, DSA acted aggressively to prevent the recurrence of the mistake. It took two approaches to fixing the problem. First, it implemented significant change management procedures in the IT department. Second, it initiated numerous reconciliation processes to ensure that all OATS information is properly reported.

Since OATS is an automated reporting function, DSA reviewed its IT processes to determine if they could be improved. DSA made numerous enhancements to its processes and procedures. DSA moved the OATS order reconciliation function out of IT. This provided a review of the OATS data independent from the IT personnel responsible for OATS reporting.

More importantly, DSA instituted new change management procedures and processes. It revised its IT procedures to improve quality assurance. DSA also hired an IT Quality Assurance Analyst to review all programming changes before going into production to prevent the changes from adversely impacting its regulatory reporting requirements.

In addition to the implementation of change management enhancements, DSA established numerous data reconciliation procedures to minimize the chance that any information will be omitted from OATS reporting. Here is a summary of these reconciliations done each business day:

- At approximately 4:25 pm, DSA automatically (through a computer program) compares the information entered into the Aegis order management system to all orders entered into DSA's Centralized OATS Reporting System ("COATS"). If there are any discrepancies, a report is generated and the OATS Monitor is able to fix them prior to submitting the information to OATS.
- At approximately 4:35 pm, DSA automatically verifies NASDAQ's list of non-reportable securities. DSA then automatically filters out any order for securities on that list from its OATS reports.
- At approximately 8:25 pm, DSA automatically reconciles each client's orders in COATS against those reported to FINRA.
- At approximately 8:30 pm, DSA automatically verifies that the ROEs reported to OATS were accepted by FINRA.

- At approximately 9:15 pm, DSA sends a copy of the files it sent to OATS to personnel at DSA's off-site computer facility. A computer operator then verifies that each OATS file was accepted by FINRA and sends an email to DSA that the filings were accepted. If an error is found, the computer operator immediately calls DSA personnel so it can be promptly addressed and corrected in the OATS website.
- At the end of the day, DSA automatically prepares a reconciliation report. The next morning, the OATS Monitor compares the information on the reconciliation report to that contained in the OATS website to determine that all orders were properly reported.

These reconciliation efforts use both computerized and human efforts to insure that all ROEs are properly reported to OATS. While the automated processes should be sufficient to verify accurate reporting, DSA has added human checks in case there are failures in the automated processes.