

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080135564-01**

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

RE: Robert W. Baird & Co. Incorporated, Respondent
Broker-Dealer
CRD No. 8158

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Robert W. Baird & Co. Incorporated (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 on August 6, 1971, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In Review No. 20080135564, the Department of Market Regulation conducted a review of the firm's compliance with Order Audit Trail System ("OATS") reporting rules during September 1, 2007, to December 31, 2007.

In Review No. 20090170349, the Department of Market Regulation conducted a review of firm's compliance with trade reporting rules during September 1, 2008, to December 31, 2008.

FACTS AND VIOLATIVE CONDUCT

20080135564

1. From September 1, 2007, to December 31, 2007, the firm (a) transmitted to OATS 90 Route or Combined Order/Route Reports that the OATS system was unable to link to the corresponding new order transmitted by the destination firm due to inaccurate, incomplete or improperly formatted data; and (b) transmitted to OATS 14 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports contained inaccurate Account Type Codes. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).

20090170349

2. From September 1, 2008, to December 31, 2008, the firm failed, within 90 seconds after execution, to transmit to the FINRA/Nasdaq Trade Reporting Facility ("FINRA/Nasdaq TRF") 636 last sale reports of transactions in designated securities, and failed to designate 35 such last sale reports as late. These transactions constitute 3.66 percent of the transactions reviewed that the firm reported to the FINRA/Nasdaq TRF during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 4632(a) (for conduct before December 15, 2008) and FINRA Rule 6380A(a) (for conduct on or after December 15, 2008), and a pattern and practice of late reporting without exceptional circumstances in violation of NASD Rule 2110 (for conduct before December 15, 2008) and FINRA Rule 2010 (for conduct on or after December 15, 2008).
3. From September 1, 2008, to December 31, 2008, the firm failed to report to the FINRA/Nasdaq TRF the correct time of execution for 23 transactions in Reportable Securities. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6130(d)(4) (for conduct before December 15, 2008), and FINRA Rule 7230A(d)(4) for conduct on or after December 15, 2008).

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

A censure, a fine of \$15,000, consisting of \$7,500 for OATS reporting violations, and \$7,500 for the trade reporting violations.

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is 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 imposed in this matter.

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.

Nov. 11, 2010

Date

Respondent

Robert W. Baird & Co. Incorporated

By

Eric T. Field

Name:

ERIC T. Field

Title:

DIRECTOR of Equity
Capital Markets Compliance

Reviewed by:

Paul Schultz

Name: Paul L. Schultz

Counsel for Respondent

Accepted by FINRA:

12/24/10

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

Re: Transmittal of Acceptance Waiver and Consent
Matter Nos. 20080135564 and 20090170349

Robert W. Baird & Co. Incorporated ("Baird") has received the Letter of Acceptance, Waiver and Consent ("AWC") pertaining to the above-referenced matters. We have executed the AWC and are enclosing this Statement of Corrective Action for consideration in conjunction with the AWC. This Statement of Corrective Action is submitted by Respondent and does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The first matter cited in the AWC, Matter No. 20080135564, related to OATS reporting during the time period of September 1, 2007, to December 31, 2008. During that time period, Baird used the services of its order management system ("OMS") provider to submit OATS reports on Baird's behalf. Through Baird's regular internal reviews we detected irregularities in these OATS submissions and notified the OMS provider. The OMS provider did not adequately address Baird's concerns, and as a result, Baird began the process of replacing the OMS provider. On February 29, 2008, Baird successfully transitioned to a new OMS with a different provider. Baird's OATS reporting is now performed by Lava Trading in conjunction with their ColorPalette OMS product under Baird's close supervision. On a daily basis Baird monitors the accuracy of the OATS reports submitted on our behalf. Based on our ongoing reviews, Baird believes the change of OMS providers fully addressed all of the OATS concerns cited by FINRA in this matter.

The second matter cited in the AWC, Matter No. 20090170349, related to trade reporting during the time period of September 1, 2008, to December 31, 2008. There were two causes for the vast majority of trade reporting issues cited by FINRA; latency within Baird's OMS and third party trade reporting. Baird has taken corrective action to address both of these issues. To correct the latency issue within Baird's OMS we expanded the maximum messaging rate for trade reporting to the NASDAQ TRF available through our OMS. This upgrade was implemented in February 2009. To correct the third party trade reporting issues, which were observed primarily with trades routed to UBS, we upgraded our connection to UBS from an ACES connection to a direct FIX connection. This upgrade was made in January 2009. Baird's regular internal reviews have shown that the technology upgrades to our OMS and third party connections have successfully addressed the concerns cited by FINRA in this matter.