

FINRA

2011 APR 12 PM 12:16

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080151598-01**

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

RE: State Street Global Markets, LLC, Respondent
Broker-Dealer
CRD No. 30107

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, State Street Global Markets, 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 1992, and its registration remains in effect. The firm has no relevant disciplinary history.

FACTS AND VIOLATIVE CONDUCT

On September 17, 2008, the Securities and Exchange Commission ("SEC"), through emergency order, adopted Rule 204T of Regulation SHO ("Rule 204T"), which imposed enhanced delivery requirements on sales of all equity securities. In Market Regulation Review No. 20080151598, the staff of the Department of Market Regulation conducted a review of the firm's compliance with SEC Rule 204T for the period September 18, 2008 through October 8, 2008.

1. On September 26, 2008, the firm had a fail to deliver position at a registered clearing agency in an equity security, Raymond James Financial, Inc. ("RJF"), that resulted from a long sale on September 18, 2008, and failed to immediately thereafter close out the fail to deliver position by purchasing securities of like kind and quantity no later than the

beginning of regular trading hours on the third consecutive settlement day following the settlement date for the transaction (*i.e.*, T+6). The firm continued to have a fail-to-deliver position in RJF at the registered clearing agency for nine additional settlement days from T+6 through October 8, 2008. The conduct described in this paragraph constitutes a violation of SEC Rule 204T of Regulation SHO.

2. From September 18, 2008 through October 8, 2008, 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 NASD Rule 6130(d)(6), and SEC Rules 203(a), 203(b)(3), and 204T. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) 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 Rule 2110 (now FINRA Rule 2010) and NASD Rule 3010.

In Cycle Examination 20090158701, FINRA staff conducted a review of the firm's compliance with SEC Rule 204T for the period March 18, 2009 through March 31, 2009.

3. On March 26, 2009, the firm had a fail to deliver position at a registered clearing agency in an equity security, Somaxon Pharmaceuticals, Inc. ("SOMX"), that resulted from a long sale on March 18, 2009, and failed to immediately thereafter close out the fail to deliver position by purchasing securities of like kind and quantity no later than the beginning of regular trading hours on the third consecutive settlement day following the settlement date for the transaction (*i.e.*, T+6). The firm continued to have a fail-to-deliver position in SOMX at the registered clearing agency for four settlement days from T+6 through March 31, 2009. The conduct described in this paragraph constitutes a violation of SEC Rule 204T of Regulation SHO.

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

A censure and fine of \$47,250 (consisting of a fine of \$30,250 for violations of SEC Rule 204T and \$5,000 for violations of NASD Rule 2110 (now FINRA Rule 2010) and NASD Rule 3010 in Review 20080151598, and \$12,000 for violations of SEC Rule 204T in Review 20090158701); and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in Section I.A.2 above. 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 Section I.A.2 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 payment is due and payable. The firm has submitted an Election of Payment form showing the method by which the firm 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 sanction 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 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.

April 11, 2011
Date

Respondent
State Street Global Markets, LLC

By: [Signature]

Name: VINCENT MANZI

Title: CHIEF COMPLIANCE OFFICER

Reviewed by:

Melissa McKay
Attorney Name Melissa McKay, State Street Global Markets, LLC
Counsel for Respondent Vice President and Managing Counsel
Firm Name State Street Global Markets, LLC
Address 1 Lincoln Street
City/State/Zip Boston, MA 02115
Phone Number 617-664-5834

Accepted by FINRA:

4/29/11
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



STATE STREET.

FINRA

2011 APR -1 AM 10:51

March 25, 2011

Financial Industry Regulatory Authority
Market Regulation
9509 Key West Avenue
Rockville, MD 20850

Re: Statement of Corrective Action

To Whom It May Concern:

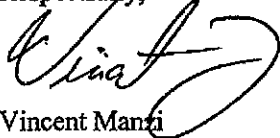
State Street Global Markets, LLC ("State Street Global Markets") submits the following Statement of Corrective Action taken to address those deficiencies in our compliance with NASD Rule 3010, FINRA Rule 2010 (f/k/a NASD Rule 2110) and Rule 204T of Regulation SHO under the Securities Exchange Act of 1934, as amended ("Rule 204T") and each as referred to in the enclosed Letter of Acceptance, Waiver and Consent (the "AWC") delivered to State Street Global Markets by the Financial Industry Regulatory Authority ("FINRA"). This Corrective Action Statement is submitted by the State Street Global Markets. We understand that this Corrective Action Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

State Street Global Markets takes its obligations to comply with Rule 204T and its successor rule, Rule 204 of Regulation SHO ("Rule 204" and together with Rule 204T, the "Rules"), very seriously and, as detailed below, has taken prompt, effective steps to address issues relating to the failure to close out fail to deliver positions within the timeframes required by the Rules. State Street Global Markets has taken the following corrective actions with respect to the violations of Rule 204T and NASD Rule 3010 described in the AWC:

1. State Street Global Markets has reviewed and reinforced our written supervisory procedures and updated our desktop procedures to more effectively document the process of complying with the Rules. Specifically, the procedures require that orders to borrow or buy-in securities to close out open fail positions entered on or prior to the market opening on T+4 for short sales and T+6 for long sales. The procedures also note that buy-in orders must be entered as either MOO or VWAP orders.
2. We have augmented our supervisory systems and procedures to be clear that it is the responsibility of our operations team to review Continuous Net Settlement ("CNS") fails to deliver and to determine when any open fails require a borrowing or buy-in of securities. The operations team will monitor CNS fails and maintain documentation of reports and screen shots to document the monitoring. The trading desk is responsible for executing all buy-ins or borrowings in accordance with Rule 204. Our procedures have been augmented to make clear the individuals responsible for taking the steps required to institute a purchase or borrow or securities in accordance with Rule 204, the steps to be taken and appropriate timeline for executing such steps and also include a process for documenting compliance with such procedures. Please note that the vast majority of our transactions have settled in accordance with the requirements of the Rules and that the firm conducts very little short sale activity for its customers or own account.

State Street Global Markets fully understands the seriousness of complying with the Rules and the buy-in and borrowing requirements for failing equity transactions contained therein. We would like to emphasize that none of the conduct mentioned in the AWC was ever intentional or reckless. State Street Global Markets believes that the steps it has taken effectively address the issues noted in the AWC and will continue to make an appropriate and diligent effort to adhere to the requirements.

Respectfully,

A handwritten signature in black ink, appearing to read "Vincent Mantz", written over the printed name.

Vincent Mantz
Chief Compliance Officer