

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

NO. 2009016640101

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

RE: Firsttrade Securities, Inc., Respondent
CRD No. 16843

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Firsttrade Securities, Inc. ("Respondent") 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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

Respondent has been a FINRA member since December 17, 1985. Its securities business consists of, among other things, internet/online trading accounts, retailing corporate equity securities over-the-counter, selling corporate debt securities and as a mutual fund retailer.

RELEVANT DISCIPLINARY HISTORY

On September 4, 2009, Respondent entered into a Letter of Acceptance, Waiver and Consent (AWC) with FINRA for violations of NASD Rule 6230 and 3010 for failure of reporting and late reporting to the trace reporting and compliance engine (TRACE) and for failure to have an adequate supervisory system to achieve compliance for reporting of TRACE-eligible securities. The sanctions were a \$12,500 fine and censure.

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On April 27, 2009, Respondent entered into an AWC with FINRA for violations of NASDAQ Rules 4613, 4755 and 3010 for failing to reasonably avoid displaying quotations that locked or crossed a protected quotation related to the NASDAQ Singlebook execution system and for failure to have an adequate supervisory system to achieve compliance with NASDAQ rules concerning locked and crossed markets. The sanctions were a \$10,000 fine and censure.

OVERVIEW

From October 28, 2008 through December 15, 2009, Respondent failed to have available electronic mail in an easily readable format for inspection by FINRA. Respondent also failed to file requisite notification to FINRA regarding its electronic storage media. In addition, Respondent failed to have in place the required audit system for its electronic communications and did not provide the necessary access to a third party vendor to conduct certain undertakings, as required under SEC Rule 17a-4.

FACTS AND VIOLATIVE CONDUCT

For the period from October 28, 2008 through December 15, 2009:

1. Respondent did not have available, for examination by the staff of FINRA, facilities for immediate, easily readable projection or production of micrographic media or electronic storage media images and for producing easily readable images, as required by SEC Rule 17a-4(f)(3)(i).
2. Respondent maintained certain records in electronic formats but failed to notify its examining authority, FINRA, prior to employing electronic storage media, as required by SEC Rule 17a-4(f)(2)(i).
3. Respondent did not have in place an audit system providing for accountability regarding inputting of records required to be maintained and preserved under SEC Rules 17a-3 and 17a-4 to electronic storage media, as required by SEC Rule 17a-4(f)(3)(v). At all times, Respondent is required to have the results of such an audit system available for examination by the staff of FINRA.
4. Respondent failed to provide the required access, pursuant to SEC Rule 17a-4(f)(3)(vii), to allow a third party vendor to download information from Respondent's electronic storage media and file

the required undertakings with the proper authorities, including FINRA.

By reason of the foregoing, Respondent violated SEC Rule 17a-4(f), NASD Conduct Rule 2110 and FINRA Rule 2010.

B. Respondent also consents to the imposition of the following sanctions:

- A fine of \$20,000; and
- A censure.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent 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

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against Respondent;
- 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, Respondent 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.

Respondent 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

Respondent 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 Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent'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. Respondent 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. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which

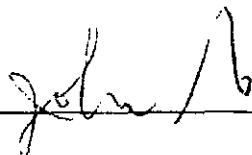
FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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 Respondent 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.

Firsttrade Securities, Inc.

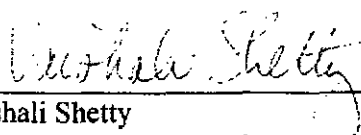
11/15/12
Date (mm/dd/yyyy)

By: 

Accepted by FINRA:

3/1/11
Date

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


Vaishali Shetty
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