

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090169991-01

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

RE: ICAP Corporates LLC, Respondent
Broker-Dealer
CRD No. 2762

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, ICAP Corporates 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 February 2, 1966, and its registration remains in effect. The firm has the following disciplinary history:

On November 23, 2005, an AWC was accepted by FINRA in which the firm was fined \$5,000 for violations of NASD Rules 6955(a) and 2110 for the review period April 1, 2004 through June 30, 2004.

SUMMARY

In connection with matter nos. 20090169991 and 20090195128, Trading and Market Making Surveillance ("TMMS") staff reviewed the trading activity of the firm, set forth in Exhibit 1, for the trade dates, March 24 and 25, 2009 and March 30 through April 3, 2009, respectively, unless otherwise noted.

FACTS AND VIOLATIVE CONDUCT

1. The firm failed to report to the FINRA/Nasdaq Trade Reporting Facility the correct symbol indicating the capacity in which the firm executed 284 transactions in Reportable Securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7230A.
2. The firm failed to report to the FINRA/Nasdaq Trade Reporting Facility two last sale reports of transactions in designated securities. The firm also incorrectly reported the second leg of seven "riskless" principal transaction(s) as "principal" to the FINRA/Nasdaq Trade Reporting Facility. In addition, the firm failed to submit to the FINRA/Nasdaq Trade Reporting Facility, for the offsetting, "riskless" portion of seven "riskless" principal transaction(s) in designated securities, either a clearing-only report with a capacity indicator of "riskless principal," or a non-tape, non-clearing report with a capacity indicator of "riskless principal." The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6380A.
3. The firm failed to report to the OTC Reporting Facility the correct symbol indicating the capacity in which the firm executed six transactions in Reportable Securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7330.
4. The firm failed to report to the OTC Reporting Facility 28 last sale reports of transactions in OTC Equity securities. In addition, the firm failed to submit to the OTC Reporting Facility, for the offsetting, "riskless" portion of 14 "riskless" principal transaction(s) in designated securities, either a clearing-only report with a capacity indicator of "riskless principal," or a non-tape, non-clearing report with a capacity indicator of "riskless principal." The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6622.
5. During the review period, the firm transmitted to Order Audit Trail System ("OATS") 26 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, reports contained an incorrect capacity, inaccurate order entry times, and incorrect codes and the firm failed to submit or improperly submitted certain reports. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
6. The firm on 15 occasions provided written notifications to its customers that contained inaccurate or incomplete information, including failure to disclose that the transaction was executed at an average price, failure to disclose the correct type of remuneration, and failure to disclose its correct capacity. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.

7. The firm failed to show the correct time of entry on the memorandum of 23 brokerage orders. In addition, the firm's trading ledger failed to accurately indicate that principal sales were long or short in 365 instances. The firm also documented the incorrect remuneration on its order records in two instances. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Rule 3110.
8. The firm failed to preserve for a period of not less than three years, the first two in an accessible place, the memorandum of four brokerage orders and one customer confirmation. In addition, the firm failed to preserve for a period of not less than six years, the first two in an accessible place, a trading ledger or other comparable trading record in three instances. The conduct described in this paragraph constitutes a violation of SEC Rule 17a-4 and NASD Rule 3110.

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

A censure and fine of \$23,500 (\$8,500 for trade reporting, \$5,000 for OATS, \$5,000 for books and records; and \$5,000 for SEC Rule 10b-10).

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) 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.

12-6-10

Date

Respondent

ICAP Corporates LLC

By: Ron Wexler

Name: RON WEXLER

Title: COO EQUITIES

Reviewed by:

James A. More Jr.
Attorney Name

Accepted by FINRA:

1/5/11
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

Market Regulation Examination

ICAP Corporates LLC

Exam No. 20090169991 (incl. 20090195128)

Sample Source/Period*: March 24-25, 2009 and March 30-April 3, 2009

Exhibit No. 1

<u>Sample Size</u>	<u>Sample Description</u>
27	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements (March 24-25, 2009)
55	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements (March 30-April 3, 2009)
14	Short Sales reviewed for compliance with SEC Rule 203(b) security location requirements (March 24-25, 2009)
270	Short Sales reviewed for compliance with SEC Rule 203(b) security location requirements (March 30-April 3, 2009)
2	Sales reviewed for compliance with SEC Rule 204 fail-to-deliver requirements (March 24-25, 2009)
607	Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624 (March 24-25, 2009)
153	Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624 (March 30-April 3, 2009)
21	Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements (March 24-25, 2009)
4	Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements (March 30-April 3, 2009)
21	Buy and Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements (March 24-25, 2009)
4	Buy and Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements (March 30-April 3, 2009)
0	Sell orders entered into BATS Exchange execution system for compliance with BATS Rule 11.19 long/short reporting requirements (March 24-25, 2009)
0	Limit orders for NMS securities in which the member acts as an exchange market maker for compliance with the display requirements of SEC Rules 602 and 604, and Nasdaq Rule 3390 (March 24-25, 2009)
72	Orders for compliance with best execution requirements of NASD Rule 2320 (March 24-25, 2009)
	27 From Customer Sales Review
	22 Held orders from the Held Order Protection Review
	13 Not Held orders from the Not Held Order Review
	0 Order executed with a .PRP (Prior Reference Price) trade modifier
	10 Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders
51	Orders for compliance with best execution requirements of NASD Rule 2320 (March 30-April 3, 2009)
22	Orders for compliance with order protection requirements of NASD Rules 2110, IM-2110-2, 2111, and Nasdaq Rules 2110, IM-2110-2, and 2111 (March 24-25, 2009)
0	Open Limit orders to buy and/or open Stop orders to sell securities that traded ex-dividend for compliance with NASD Rule 3220 and Nasdaq Rule 4761 (March 24-25, 2009)
5	Order memoranda and Net Trading agreements for compliance with NASD Rule 2441 requirements (March 24-25, 2009)
1	Order memoranda and Net Trading agreements for compliance with NASD Rule 2441 requirements (March 30-April 3, 2009)
50	Orders in securities required to be submitted to OATS for compliance with FINRA Rules 7440 and 7450, and Nasdaq Rules 6954 and 6955 requirements (March 24-25, 2009)
38	Customer confirmations prepared and maintained in connection with select samples for compliance with SEC Rule 10b-10 (March 24-25, 2009)

* unless otherwise noted
2009 Version 2.0 - September 1, 2009
Created By: Laura Agostino 9/13/2009
Modified MF 10/13/2009
Modified by RM - 11/24/2009
Modified by RB - 3/1/2010 1 of 2

Market Regulation Examination
ICAP Corporates LLC
Exam No. 20090169991 (incl. 20090195128)
Sample Source/Period*: March 24-25, 2009 and March 30-April 3, 2009

Exhibit No. 1

<u>Sample Size</u>	<u>Sample Description</u>
18	Customer confirmations prepared and maintained in connection with select samples for compliance with SEC Rule 10b-10 (March 30-April 3, 2009)
25	Orders for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements (March 24-25, 2009)
0	Data sets published for monthly order execution report for compliance with SEC Rule 605 requirement to publish accurate data (a 'data set' encompasses all required statistical data for single security and order type/size category as described in SEC Rule 605) (March 24-25, 2009)
2nd quarter 2009	Quarterly Routing Report for compliance with SEC Rule 606 requirements
15	CRD registration records for persons conducting and/or supervising Firm's trading and/or market making activities for compliance with NASD Rule Series 1020, 1030, 1040; Nasdaq Rule Series 1020, 1030, 1040; and BATS Rule 11.4 (March 24-25, 2009)
10	Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders (March 24-25, 2009)
1	Disclosures to customers relating to trading in the Extended Hours session for compliance with FINRA Rule 2265 and Nasdaq Rule 4631 (March 24-25, 2009)
391	Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110 (March 24-25, 2009)
2744	Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110 (March 30-April 3, 2009)
651	Trades reported to a TRF or OTCRF for compliance with FINRA Rules 6380A and 7230A or 6622 and 7330 (March 24-25, 2009)
153	Trades reported to a TRF or OTCRF for compliance with FINRA Rules 6380A and 7230A or 6622 and 7330 (March 30-April 3, 2009)
All Provided	Member's "Regular & Rigorous" review procedures regarding order execution quality for compliance with NASD Rules 2320 and 3010
All Provided	Member's supervisory and operational policies and procedures and documentation evidencing execution of the policies and procedures for compliance with SEC Regulation NMS Rule 611
All Provided	Member's supervisory system, written supervisory procedures ("WSPs") and documentation evidencing execution of the WSPs for compliance with NASD Rule 3010, Nasdaq Rule 3010, or BATS Rule 5.1 requirements
0	Trading Halts declared during the on-site portion of the examination for which FINRA Staff observed the operation of the ATS. (March 24-25, 2009)
0	Trades reported to the ADF/TRACS for compliance with FINRA Rule 6282 (March 24-25, 2009)
0	ADF orders and quotes accessed by other market participants for compliance with FINRA Rule 6250 requirements to submit Order and Order Response reports (March 24-25, 2009)