

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090170167-02**

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

RE: William Blair & Company L.L.C., Respondent
Broker-Dealer
CRD No. 1252

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, William Blair & Company L.L.C. (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 March 7, 1944. The firm's registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm understands that its disciplinary history may be a factor that will be considered in deciding whether to accept this AWC. The firm's relevant disciplinary history is as follows.

On May 2, 2005, an AWC became final in which the firm was censured and fined \$15,000, including \$5000 for violations of NASD Rule 6955 (now FINRA Rule 7450).

On February 16, 2007, an AWC became final in which the firm was censured and fined

\$25,000, including \$15,000 for violations of NASD Rule 6955 in three matters.

On December 13, 2007, an AWC became final in which the firm was censured and fined \$20,000, including \$10,000 for violations of NASD Rule 6955.

SUMMARY

In connection with 20090170167, the staff conducted the 2009 Trading and Market Making Surveillance ("TMMS") examination wherein the staff reviewed the items set forth on Exhibit 1, which is attached hereto and incorporated herein by reference, primarily for the trade dates July 8 and 9, 2009 (the "review period").

FACTS AND VIOLATIVE CONDUCT

1. During the review period, the firm transmitted to OATS 21 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, two reports were duplicate Route Reports, 15 omitted the "Sent to MPID" and included an incorrect destination code, and four omitted desk information for intra-firm order routing. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
2. During the review period, the firm made available information on covered orders in national market system securities that it received for execution from any person that included incorrect information as to market orders, marketable limit orders, at-the-quote limit orders and orders sizes of 100-499, 500-1,999, 2,000-4,999, and greater than 5,000 but less than 10,000. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 605 of Regulation NMS.
3. During the review period, the firm failed on 55 occasions to provide written notification disclosing the correct capacity in the transaction, that average price details were available upon request, the correct reported trade price, and/or that the firm was a market maker in each such security. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.

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

- A censure.
- A fine of \$27,500 consisting of \$7,500 for violations of FINRA Rule 7450, \$15,000 for violations of SEC Rule 605 and \$5,000 for violations of 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.

8-20-10
Date

Respondent
William Blair & Company L.L.C.

By: Kenneth L. Wagner

Name: Kenneth L. Wagner

Title: Compliance Director

Reviewed by:

Kenneth L. Wagner
Attorney Name
Counsel for Respondent

Accepted by FINRA:

11/9/10
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

2009 Market Regulation Examination Samples
 William Blair Company, LLC ("WBLR")
 Exam No. 20090170167
 Sample Source/Period*: July 8 and 9, 2009

<u>Sample Size</u>	<u>Sample Description</u>
94	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements
55	Short Sales reviewed for compliance with SEC Rule 203(b) security location requirements
0	Sales reviewed for compliance with SEC Rule 204 fail-to-deliver requirements
1668	Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624 (1,585 customer sale trade reports and 83 proprietary sale trade reports)
64	Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements
64	Buy and Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements
0	Sell orders entered into BATS Exchange execution system for compliance with BATS Rule 11.19 long/short reporting requirements
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
22	Orders for compliance with best execution requirements of NASD Rule 2320 2 Held orders from the Held Order Protection Review 10 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
2	Orders for compliance with order protection requirements of NASD Rules 2110, IM-2110-2, 2111, and Nasdaq Rules 2110, IM-2110-2, and 2111
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
0	Order memoranda and Net Trading agreements for compliance with NASD Rule 2441 requirements
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
109	Customer confirmations prepared and maintained in connection with select samples for compliance with SEC Rule 10b-10
25	Orders for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements

2009 Market Regulation Examination Samples
William Blair Company, LLC ("WBLR")
Exam No. 20090170167
Sample Source/Period*: July 8 and 9, 2009

10	Data sets published for May 2009 and August 2009 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)
1	Quarterly Routing Report for the Quarter Ended June 30, 2009 for compliance with SEC Rule 606 requirements
20	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
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
1	Disclosures to customers relating to trading in the Extended Hours session for compliance with FINRA Rule 2265 and Nasdaq Rule 4631
738	Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110
2693	Trades reported to a TRF or OTCRF for compliance with FINRA Rules 6380A and 7230A or 6622 and 7330
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
XX	Trading Halts declared during the on-site portion of the examination for which FINRA Staff observed the operation of the ATS.
XX	Trades reported to the ADF/TRACS for compliance with FINRA Rule 6282
XX	ADF orders and quotes accessed by other market participants for compliance with FINRA Rule 6250 requirements to submit Order and Order Response reports