

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090185059-01**

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

RE: Scottrade, Inc., Respondent
Broker-Dealer
CRD No. 8206

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Scottrade, Inc. (the "Firm" or "SSIC") 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. SSIC 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

SSIC is a registered broker-dealer with its principal place of business in St. Louis, MO. SSIC has been a FINRA member since May 23, 1980.

RELEVANT DISCIPLINARY HISTORY

On January 6, 2010, an AWC became final wherein, SSIC was censured and fined \$15,000 for findings that on three settlement dates during the nine month period September 15, 2005 through June 15, 2006, the Firm underreported 149 positions totaling 418,469 shares, and that SSIC had failed to reasonably supervise in connection with the Firm's short interest reporting.

SUMMARY

In connection with STAR#s 20090185059, 20100214625 and 20110263812, the Short Interest Team of FINRA's Department of Market Regulation conducted reviews of SSIC's compliance

with short interest reporting requirements during 83 settlement dates from October 31, 2007 through March 15, 2011.

FACTS AND VIOLATIVE CONDUCT

Reporting of Short Interest Positions

STAR# 20090185059

1. For settlement date April 30, 2009, SSIC inaccurately reported 1,170 short interest positions totaling 11,275,091 shares when the Firm should have reported 1,398 short interest positions totaling 13,347,502 shares. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 4560.

STAR# 20100214625

2. On a sample of 40 settlement dates during the period of December 14, 2007 through February 12, 2010, SSIC failed to report 151 short interest positions totaling 490,598 shares. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 3360 (for conduct prior to December 15, 2008) and FINRA Rule 4560 (for conduct on and after December 15, 2008).

STAR# 20110263812

3. On 10 settlement dates during the period October 31, 2007 through November 28, 2008, SSIC inaccurately reported 32 short interest positions totaling 1,732,884 shares when the Firm should have reported 66 short interest positions totaling 2,840,858 shares. Accordingly, SSIC underreported 34 positions totaling 1,107,974 shares. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 3360.
4. For 32 settlement dates during the period December 31, 2008 through March 15, 2011, SSIC inaccurately reported 137 short interest positions totaling 6,343,377 shares when the Firm should have reported 223 short interest positions totaling 14,390,711 shares. Accordingly, SSIC underreported 86 positions totaling 8,047,334 shares. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 4560.

Supervision

5. Throughout the period of October 31, 2007 through March 15, 2011, SSIC's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to NASD and FINRA rules regarding short interest reporting. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 3010, as well as, FINRA Rule 2010.¹

¹ On December 15, 2008, FINRA Rule 2010 replaced NASD Rule 2110.

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

- **A censure; and**
- **a fine of \$100,000 (\$80,000 for the short interest reporting violations and \$20,000 for the supervision violations).**

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.

10/14/13
Date

Respondent
Scottrade, Inc.

By: [Signature]

Name: Scott Golde

Title: General Counsel, SVP

Reviewed by:

[Signature]
Niels P. Murphy, Esq.
Counsel for Respondent

Murphy & Anderson, P.A.
1501 San Marco Boulevard
Jacksonville, FL 32207
904-380-8080
nmurphy@murphyandersonlaw.com

Accepted by FINRA:

11-1-13
Date

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

[Signature]
David E. Rosenstein
Senior Vice President
Department of Market Regulation