

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090199136-01**

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., ("SSIC" or 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 May 23, 1980, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The Firm has no relevant disciplinary history.

SUMMARY

In Review No. 20090199136, the Department of Market Regulation's Options Regulation Staff (the "Staff") reviewed the Firm's compliance with rules related to Large Option Positions Reports ("LOPR") during the period July 1, 2009 through September 30, 2009.

In Review No. 20100216446, Staff reviewed the Firm's compliance with rules related to LOPR during the month of January 2010 in relation to the migration of LOPR reporting from the Securities Industry Automation Corporation ("SIAC") to the Options Clearing Corporation ("OCC").

In Review No. 20110262701, Staff reviewed the Firm's compliance with rules related to LOPR during the period October 1, 2010 through December 31, 2010.

FACTS AND VIOLATIVE CONDUCT

LOPR Reporting Violations

20090199136

1. During the period July 1, 2009 through September 30, 2009, the Firm failed to report approximately 10 reportable options positions in standard options to the SIAC LOPR. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(5).

20100216446

2. During the month of January 2010, the Firm failed to report at least one reportable option position in standard options to the OCC LOPR. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(5).

20110262701

3. During the period of at least August 2007 through May 2010, the Firm failed to report numerous reportable positions in standard options to SIAC and OCC for accounts under common control or acting in-concert. Based on a sampling for the period November 2009 through May 2010, the Firm failed to report approximately 8,000 options positions to the LOPR. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 2860(b)(5)¹ (for conduct occurring prior to February 17, 2009) and FINRA Rule 2360(b)(5) (for conduct occurring on or after February 17, 2009);
4. During the period of at least August 2007 through November 2010, the Firm failed to report the appropriate in-concert information for numerous customer accounts to SIAC and OCC. Based on a sampling for the period January 2010 through August 2011, the Firm failed to report approximately 9,300 options positions to the LOPR with the correct in-concert information. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 2860(b)(5) (for conduct occurring prior to February 17, 2009) and FINRA Rule 2360(b)(5) (for conduct occurring on or after February 17, 2009);
5. During the period of August 2007 through August 2011, the Firm failed to report numerous reportable options positions in standard options to SIAC and

¹ Effective February 17, 2009, FINRA Rule 2360 superseded NASD Rule 2860.

OCC as a result of the Firm incorrectly netting options positions and coding errors in the Firm's internal reporting systems. Based on a sampling for the period January 2010 through August 2011, the Firm failed to report approximately 1,100 options positions to the LOPR. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 2860(b)(5) (for conduct occurring prior to February 17, 2009) and FINRA Rule 2360(b)(5) (for conduct occurring on or after February 17, 2009);

6. During the period of at least October 2007 through November 2010, the Firm failed to accurately report numerous reportable options positions in standard options to SIAC and the OCC with the correct effective date. Based on a sampling for the period October 2010 through November 2010, the Firm failed to accurately report approximately 789 options positions to the LOPR with the correct effective date. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 2860(b)(5) (for conduct occurring prior to February 17, 2009) and FINRA Rule 2360(b)(5) (for conduct occurring on or after February 17, 2009).

Supervision

7. During the period of at least August 2007 through August 2010, the Firm failed to have an adequate system to supervise reporting of option positions for accounts under common control or acting in-concert. The conduct described in this paragraph constitutes a violation of NASD Rule 3010, NASD Rule 2110² (for conduct occurring prior to December 15, 2008), and FINRA Rule 2010 (for conduct occurring on or after December 15, 2008); and,
8. During the period of at least August 2007 through November 2012, the Firm failed to have an adequate supervisory system to review the accuracy of its daily LOPR submissions. The conduct described in this paragraph constitutes a violation of NASD Rule 3010, NASD Rule 2110 (for conduct occurring prior to December 15, 2008), and FINRA Rule 2010 (for conduct occurring on or after December 15, 2008).

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

1. A censure; and,
2. A fine of \$125,000 (\$100,000 for LOPR reporting violations and \$25,000 for the supervision violations of NASD Rules 2110, 3010 and FINRA Rule 2010).

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

² Effective December 15, 2008, FINRA Rule 2010 superseded NASD Rule 2110.

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.

12-10-12
Date

Respondent
Scottrade, Inc.,

By: [Signature]

Name: Scott Golde

Title: Associate General Counsel

Reviewed by:

[Signature]
Niels P. Murphy, Esq.
Counsel for Respondent
Murphy & Anderson, P.A.
1501 San Marco Boulevard
Jacksonville, FL 32207
904-598-9282

Reviewed by:

[Signature]
Lawton Graves, Esq.
Counsel for Respondent
Murphy & Anderson, P.A.
1501 San Marco Boulevard
Jacksonville, FL 32207
904-380-8085
lgraves@murphyandersonlaw.com

Accepted by FINRA:

1/15/13
Date

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

[Signature]
Thomas R. Gira
Executive Vice President
Department of Market Regulation