

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100215883-01**

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

RE: Robert W. Baird & Co. Incorporated, Respondent
Broker-Dealer
CRD No. 8158

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Robert W. Baird & Co. Incorporated (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 FINRA member on August 6, 1971. Its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In connection with the firm's 2010 Trading and Market Making Surveillance ("TMMS") Exam, Matter No. 20100215883, FINRA's Department of Market Regulation reviewed the trading activity of the firm set forth in Exhibit 1 for trade dates September 29 and 30, 2010 (the "review period") for compliance with applicable SEC and FINRA rules.

In connection with the firm's 2011 Trading and Market Making Surveillance ("TMMS") Exam, Matter No. 20110261507, FINRA's Department of Market Regulation reviewed the trading activity of the firm set forth in Exhibit 2 for trade dates August 9 and 10, 2011 (the "review period") for compliance with applicable SEC and FINRA rules.

FACTS AND VIOLATIVE CONDUCT

Matter No. 20100215883

- 1) The firm, on 130 occasions, provided written notification to customers that failed to disclose information or disclosed inaccurate information. Specifically, the firm: incorrectly disclosed its compensation as “commission” (115 instances), failed to disclose that transactions were executed at an average price (17 instances), failed to disclose that the firm acted as a market maker (12 instances), and incorrectly disclosed that the price reflected on the confirmation was the reported trade price when the shares were executed at an average price (10 instances). The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
- 2) During the review period, the firm failed to properly record 83 executions as either long or short in its trading ledger. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Rule 3110.
- 3) For the month of May 2010, the Firm made available a report on the covered orders in national market system securities that it received for execution from any person. This report included incorrect information as to the number of covered orders, the cumulative number of shares of covered orders, number of shares of covered orders cancelled prior to execution, average realized spread for executions of covered orders, the share-weighted average period from the time of order receipt to the time of order execution (for shares executed with price improvement), and the share-weighted average period from the time of order receipt to the time of order execution (for shares executed at the quote). The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 605 of Regulation NMS.

Matter No. 20110261507

- 4) The firm, on 35 occasions, provided written notification to customers that failed to disclose information or disclosed inaccurate information. Specifically, the firm failed to disclose that transactions were executed at an average price (30 instances), incorrectly disclosed that shares were executed at an average price (two instances), and/or incorrectly disclosed that the price reflected on the confirmation was the reported trade price when the shares were executed at an average price (three instances). The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
- 5) For the month of August 2011, the Firm made available a report on the covered orders in national market system securities that it received for execution from any person. This report included incorrect information as to the number of covered orders, number of shares of covered orders cancelled prior to execution, and

execution data. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 605 of Regulation NMS.

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

Censure and a fine of \$25,000, consisting of \$12,500 in connection with Matter No. 20100215883 (\$2,500 for violations of SEC Rule 10b-10, \$2,500 for violations of SEC Rule 17a-3 and NASD Rule 3110, and \$7,500 for violations of SEC Rule 605) and \$12,500 in connection with Matter 20110261507 (\$2,500 for violations of SEC Rule 10b-10 and \$10,000 for violations of SEC Rule 605).

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

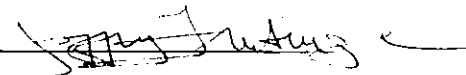
The firm understands that:

- 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: (i) testimonial obligations; or (ii) 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.

10/28/13
Date

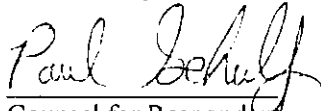
Respondent
Robert W. Baird & Co. Incorporated

By: 

Name: JEFFERY FREIBURGER

Title: MANAGING DIRECTOR - CCO

Reviewed by:


Counsel for Respondent

Accepted by FINRA:

November 27, 2013
Date

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


James J. Nixon
Chief Litigation Counsel
Department of Market Regulation

2010 Market Regulation Examination Samples
Robert W. Baird Company, Inc. ("BARD")
Exam No. 20100215883
Sample Source/Period*: September 29 30, 2010

<u>Sample Size</u>	<u>Sample Description</u>
297	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements
4	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
3135	Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624
85	Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements
98	Buy and Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements
N/A	Sell orders entered into BATS Exchange execution system for compliance with BATS Rule 11.19 long/short reporting requirements
1	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
37	Orders for compliance with best execution requirements of NASD Rule 2320
25	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
2	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
50	Orders for compliance with order protection requirements of NASD Rules 2110, IM-2110-2, 2111, and Nasdaq Rules 2110, IM-2110-2, and 2111
10	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
1	Order memoranda and Net Trading agreements for compliance with NASD Rule 2441 requirements
62	Orders in securities required to be submitted to OATS for compliance with FINRA Rules 7440 and 7450, and Nasdaq Rules 6954 and 6955 requirements
193	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
6	Data sets published for August 2010 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)

2010 Market Regulation Examination Samples
Robert W. Baird Company, Inc. ("BARD")
Exam No. 20100215883
Sample Source/Period*: September 29 30, 2010

<u>Sample Size</u>	<u>Sample Description</u>
1	Quarterly Routing Report 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
370	Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110
1419	Sell trades on trading ledgers for compliance with SEC Rules 17a-3 and 17a-4
5335	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
N/A	Trading Halts declared during the on-site portion of the examination for which FINRA Staff observed the operation of the ATS.
N/A	Trades reported to the ADF/TRACS for compliance with FINRA Rule 6282
N/A	ADF orders and quotes accessed by other market participants for compliance with FINRA Rule 6250 requirements to submit Order and Order Response reports

2011 Market Regulation Examination Samples
Robert W. Baird Company, Inc. ("BARD")
Exam No. 20110261507
Sample Source/Period*: August 9/10, 2011

Exhibit No. 2

<u>Sample Size</u>	<u>Sample Description</u>
65	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements
8	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
11203	Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624
40	Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements
51	Buy and Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements
N/A	Sell orders entered into Nasdaq OMX BX execution system for compliance with Nasdaq OMX BX Rule 4755 long/short reporting requirements
N/A	Sell orders entered into Nasdaq OMX PHLX execution system for compliance with Nasdaq OMX PHLX Rule 3305 long/short reporting requirements
N/A	Sell orders entered into DirectEdge Exchange execution system for compliance with EDGA/EDGX Rule 11.15 long/short reporting requirements
N/A	Sell orders entered into NYSE-Arca execution system for compliance with NYSE-Arca Equity Rule 7.16 long/short reporting requirements
25	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
27	Orders for compliance with best execution requirements of NASD Rule 2320 25 Held orders from the Held Order Protection Review 0 Not Held orders from the Not Held Order Review 2 Order executed with a .PRP (Prior Reference Price) trade modifier 0 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
50	Orders for compliance with order protection requirements of NASD Rules 2110, IM-2110-2, 2111, and Nasdaq Rules 2110, IM-2110-2, and 2111
10	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
1	Order memoranda and Net Trading agreements for compliance with NASD Rule 2441 requirements
70	Orders in securities required to be submitted to OATS for compliance with FINRA Rules 7440 and 7450, and Nasdaq Rules 6954 and 6955 requirements
229	Customer confirmations prepared and maintained in connection with select samples for compliance with SEC Rule 10b-10

* unless otherwise noted

2011 Market Regulation Examination Samples
Robert W. Baird Company, Inc. ("BARD")
Exam No. 20110261507
Sample Source/Period*: August 9/10, 2011

Exhibit No. 2

<u>Sample Size</u>	<u>Sample Description</u>
25	Orders for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements
11	Data sets published for June 2011 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 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 and Nasdaq Rule Series 1020, 1030, 1040
23	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
4	Disclosures to customers relating to trading in the Extended Hours session for compliance with FINRA Rule 2265 and Nasdaq Rule 4631
360	Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110
14451	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 and operational policies and procedures and documentation evidencing execution of the policies and procedures for compliance with SEC Rule 15c3-5
All Provided	Member's supervisory system, written supervisory procedures ("WSPs") and documentation evidencing execution of the WSPs for compliance with NASD Rule 3010 or Nasdaq Rule 3010 requirements
N/A	Trading Halts declared during the on-site portion of the examination for which FINRA Staff observed the operation of the ATS.
N/A	Trades reported to the ADF/TRACS for compliance with FINRA Rule 6282
N/A	ADF orders and quotes accessed by other market participants for compliance with FINRA Rule 6250 requirements to submit Order and Order Response reports