

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100228149-01**

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

RE: Charles Schwab & Co., Inc., Respondent
Broker-Dealer
CRD No. 5393

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Charles Schwab & Co., Inc., (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 FINRA member since October 13, 1970, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

- On May 15, 2007, an AWC was accepted in which the firm was censured and fined \$10,000 for violations of Municipal Securities Rulemaking Board ("MSRB") Rule G-14.
- On April 29, 2009, an AWC was accepted in which the firm was censured and fined \$30,000 for violations of MSRB Rule G-14.

- On November 12, 2009, an AWC was accepted in which the firm was censured and fined a total of \$25,000 for violations of MSRB Rule G-14 (\$20,000 for violations during the period April 1, 2008 through June 30, 2008 and \$5,000 for violations during the period July 1, 2008 through September 30, 2008).

SUMMARY

In STAR No. 20100228149, the Municipal Bonds Team of the Department of Market Regulation (the “staff”) reviewed the firm’s compliance with MSRB reporting rules during the period January 1, 2010 through March 31, 2010 (the “1Q 2010 review period”).¹

In STAR No. 20100238291, the staff reviewed the firm’s compliance with MSRB reporting rules during the period April 1, 2010 through June 30, 2010 (the “2Q 2010 review period”).

In STAR No. 20110267697, the staff reviewed the firm’s compliance with MSRB reporting rules during the period October 1, 2010 through December 31, 2010 (the “4Q 2010 review period”).

FACTS AND VIOLATIVE CONDUCT

In STAR No. 20100228149:

- 1) During the 1Q 2010 review period, the firm failed to report information regarding 19 purchase and sale transactions effected in municipal securities to the Real-time Transaction Reporting System (“RTRS”) in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Users Manual. Specifically, the firm failed to report information about such transactions within 15 minutes of Time of Trade to an RTRS Portal. These transactions constituted 24 percent of the total number of block transactions (79) that the firm reported to the RTRS during the review period. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

In STAR No. 20100238291:

- 2) During the 2Q 2010 review period, the firm failed to report the correct yield to the RTRS in 206 reports of transactions in municipal securities. These transactions constituted 69 percent of the transactions that the firm reported to the RTRS with negative yields (300) during the 2Q 2010 review period. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14(b)(ii).

¹ For purposes of 20100228149 and 20110267697, a block is defined as a trade involving a quantity of \$5,000,000 face amount or greater.

In STAR No. 20110267697:

- 3) During the 4Q 2010 review period, the firm failed to report information regarding 10 purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Users Manual. Specifically, the firm failed to report information about such transactions within 15 minutes of Time of Trade to an RTRS Portal. These transactions constituted 20 percent of the total number of block transactions (48) that the firm reported to the RTRS during the review period. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

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

A censure and fine of \$35,000 (\$10,000 of which pertains to MSRB trade reporting violations for 20100228149; \$15,000 of which pertains to MSRB trade reporting violations for 20100238291; and \$10,000 of which pertains to MSRB trade reporting violations for 20110267697).

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 prejudice 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.

May 9, 2012
Date

Respondent
Charles Schwab & Co., Inc.

By: [Signature]

Name: JASON CLAGUE

Title: Vice President

Reviewed by:

Attorney Name
Counsel for Respondent

Accepted by FINRA:

7/26/12
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