

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100237704**

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

RE: TradeStation Securities, Inc., Respondent
CRD No. 39473

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, TradeStation Securities, Inc. ("Respondent" 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. Respondent 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

Respondent has been a FINRA-regulated entity since January 1996. The Firm functions as an online securities broker-dealer and futures commission merchant, servicing active traders and certain institutional trader markets. The principal place of business of the Firm is located in Plantation, Florida. Respondent operates three branch offices in addition to its main office, and employs 144 registered representatives. Respondent offers a direct market access electronic trading platform that enables customers to design, test, and monitor their own custom trading strategies in equities, options, futures, and foreign exchange ("Forex"), and then automate them with direct-access order execution. Respondent is a wholly owned subsidiary of TradeStation Group, Inc.

RELEVANT DISCIPLINARY HISTORY

Respondent has no relevant formal disciplinary history with FINRA in the past five years.

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OVERVIEW

Between December 2009 and March 2010, Respondent twice proceeded with new business operations prior to obtaining approval from FINRA. On December 15, 2009, the Firm filed an application for approval of change in its futures business operations, from fully-disclosed clearing to omnibus clearing operations. The Firm requested expedited processing of its application, but did not wait for approval before commencing omnibus clearing on January 4, 2010. Furthermore, between December 30, 2009 and March 31, 2010, Respondent acted as prime broker for two customers without having first sought and/or received the necessary approvals for a change in its business operations. By virtue of the foregoing conduct, Respondent violated NASD Rule 1017 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Respondent's December 15, 2009 1017 Application

By letter dated December 15, 2009, Respondent submitted an "Application for Approval of Change in Business Operations" pursuant to NASD Rule 1017, to FINRA.

The December 15, 2009 Application requested approval for the Firm to move its futures customers from being fully disclosed on the books of its clearing firm, to having an omnibus relationship with its clearing firm with customers fully disclosed on the books of Respondent. In the December 15, 2009 Application, Respondent further requested that it be granted approval to commence omnibus clearing operations on January 1, 2010, or 17 days after the Firm submitted its December 15, 2009 Application to FINRA.

NASD Rule 1017 allows FINRA and the applicant to agree that the requested change may be effected prior to final written approval, but FINRA and Respondent had no such agreement here. By letter dated January 14, 2010, FINRA notified Respondent that FINRA had conducted an initial review of the December 15, 2009 Application, and requested that Respondent provide additional information regarding the Firm and the proposed change in business operations. Respondent provided the requested information to ROOR by letter dated February 11, 2010, in which Respondent notified FINRA that the Firm ".....made the required net capital increases and went live with its omnibus arrangement on January 4, 2010."

As of January 4, 2010, FINRA had neither concluded its review of the December 15, 2009 Application, nor granted Respondent's request for provisional approval to effect the change from fully disclosed to omnibus clearing operations on January 1, 2010.

By virtue of having commenced a change from fully disclosed to omnibus clearing operations prior to receiving approval from FINRA, Respondent violated NASD Rule 1017 and FINRA Rule 2010.

Respondent's March 17, 2010 1017 Application

At the time Respondent was undergoing the FINRA approval process for its December 15, 2009 Application, the Firm was also contemplating a change in its business operations to prime brokerage. In its February 11, 2010 response to FINRA's request for additional information concerning the December 15, 2009 Application, Respondent informed FINRA that "prior to conducting any full scale prime brokerage business, [the Firm] intends to submit a separate Rule 1017 application (which we expect to file very shortly)."

Accordingly, by letter dated March 17, 2010, Respondent submitted another "Application for Approval of Change in Business Operations" to FINRA, requesting approval to conduct prime brokerage business. FINRA approved Respondent's March 17, 2010 "Application for Approval of Change in Business Operations" on August 31, 2010.

However, Respondent had been engaging in unapproved prime brokerage activity from December 30, 2009 through March 31, 2010. More specifically, on December 30, 2009, one of Respondent's institutional customers began participating in the opening cross for listed securities traded over the counter on the NASDAQ by executing trades through another broker-dealer. These trades were cleared and carried in the customer's account with Respondent. This prime brokerage activity continued through February 23, 2010. On February 24, 2010, another of Respondent's institutional customers began executing high volume short sales through another broker-dealer. Respondent acted as prime broker in clearing this high volume short selling activity, which continued through March 31, 2010.

By virtue of having commenced prime brokerage business operations prior to receiving approval from FINRA, TradeStation violated NASD Rule 1017 and FINRA Rule 2010.

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

A Censure; and

A \$15,000 Fine.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

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

Respondent specifically and voluntarily waives any right to claim that the Firm is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent 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, Respondent 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.

Respondent 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

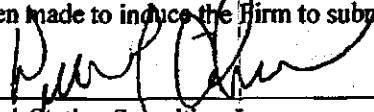
Respondent understands that:

- 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 Respondent'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. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that the Firm 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.

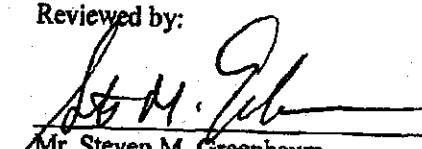
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, threat, 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.

February 15, 2011
Date


TradeStation Securities, Inc.

By: William P. Cahill
President & COO

Reviewed by:

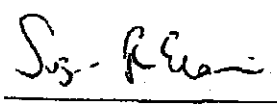

Mr. Steven M. Greenbaum
General Counsel
TradeStation Securities, Inc.
8050 SW 10th Street, Ste 2000
Plantation, Florida 33324
Telephone: 954-652-7704

Accepted by FINRA:

3-1-11

Date

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


Suzanne Elovic
Chief Counsel
FINRA Department of Enforcement
14 Wall Street
New York, NY 10005
Telephone: 646-315-7361; Fax: 202-689-3416