

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120330640**

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

RE: State Street Global Markets, LLC, Respondent
CRD No. 30107

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, State Street Global Markets, LLC ("State Street" 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. State Street 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

State Street has been a member of FINRA since June 1992. During all periods mentioned herein, State Street was a registered broker-dealer with the United States Securities and Exchange Commission and a member of FINRA. Currently, the Firm's registration and membership remain in effect. State Street conducts a general securities business from its main office in Boston, Massachusetts, and provides trading strategies and global execution services to institutional investors. State Street executes transactions on an agency and riskless principal bases for its customers, the majority of which are investment managers, plan sponsors, brokers, and custodians. The Firm maintains seven branch offices and associates approximately 353 registered representatives.

RELEVANT DISCIPLINARY HISTORY

The Firm has no prior relevant disciplinary history.

OVERVIEW

From January 2011 through November 2011 (the "Relevant Period"), the Firm did not prepare accurate bank reconciliations, which caused the Firm to: (i) inaccurately compute its net capital and customer reserve requirements; and (ii) maintain inaccurate books and records. The Firm also failed to establish, maintain, and enforce adequate supervisory systems, procedures and controls related to the preparation and maintenance of its operating bank account and general ledger, as well as the related reconciliations.

FACTS AND VIOLATIVE CONDUCT

Relevant Rules

NASD Rule 3110(a) provides, in part:

Each member shall make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable law, rules, regulations and statements of policy promulgated thereunder and with the Rules of this Association and as prescribed by Exchange Act Rule 17a-3.

Rule 17a-3(a)(2) of the Securities Exchange Act of 1934 (the "Exchange Act") requires that firms create "[l]edgers (or other records) reflecting all assets and liabilities, income and expense and capital accounts." Exchange Rule 17a-3(a)(11) requires, in part, that every broker-dealer keep a record of the proof of money balances of all ledger accounts in the form of trial balances, and net capital computations on a monthly basis.

Exchange Act Rule 15c3-1 (the "Net Capital Rule") requires broker dealers to maintain sufficient capital to protect their customers from the firm's potential insolvency. Generally, the Net Capital Rule requires a broker dealer to have sufficient assets that are readily convertible to cash to cover its indebtedness to customers and other broker dealers. Moreover, Exchange Act Rule 15c3-1(c)(iv)/021 states, as follows:

Net overall unfavorable bank account, correspondent account, clearing corporation and securities depository reconciliation differences disclosed by reconciliations . . . shall be deducted in computing net capital if not resolved within [17- business days for bank accounts] from the date of receipt of the statement of account from the carrying entity. Each broker-dealer having any such differences shall maintain a record of the date of receipt of the pertinent statement of account or in the absence of such record, shall compute the elapsed days from the date of the statement.

Exchange Act Rule 15c3-3(e)(1) specifies that every broker or dealer "shall maintain at all times in such Reserve Bank Account" cash and/or securities in accordance with provisions of the rule. Rule 15c3-3(e)(3) requires that the computation be made "weekly, as of the close of the [designated] business day of the week, and the deposit so computed shall be made no later than one hour after the opening of banking business on the second following business day. . ." The broker or dealer must "at all times maintain in [the special reserve account], through deposits made therein, cash and/or qualified securities in an amount not less than the amount computed in accordance with the formula set forth in [the Rule]."

FINRA Rule 4523(a) states that each member shall "designate an associated person who shall be responsible for each general ledger bookkeeping account," and that "a supervisor shall, as frequently as is necessary. . . review each account to determine that it is current and accurate and that any items that become aged or uncertain as to resolution are promptly identified for research."

NASD Rule 3010 requires members to, among other things, "establish and maintain a system to supervise the activities of each registered representative, registered principal, applicable securities law and regulations, and with applicable NASD Rules.

FINRA Rule 2010 requires that members observe high standards of commercial honor and just and equitable principles of trade.

Inadequate Bank Reconciliations, Related Net Capital and Customer Reserve Violations

The Firm's procedures require it to perform periodic reconciliation of its bank accounts by comparing each respective bank account statements to the corresponding general ledger. When entries in the Firm's general ledger are inconsistent with the account statement for a particular account, the Firm's procedures require the Firm to research and ultimately resolve the discrepancy, or "reconciling difference." During the Relevant Period, the Firm carried forward unresolved reconciling differences in its general ledger, dating back to approximately 2010, without research or resolution. As a result of these unresolved reconciling differences, during the Relevant Period, the Firm failed to apply net capital charges associated with the unresolved reconciling differences ranging from approximately \$159,000 to \$5.7 million, and failed to include credits associated with its reserve formula ranging from approximately \$160,000 to \$2 million.

By failing to review the Firm's general ledger to ensure that unresolved reconciling differences were promptly researched and resolved, the Firm violated FINRA Rules 4523(a) and 2010. By performing inaccurate net capital computations, the Firm violated Exchange Act Rule 15c3-1 and FINRA Rule 2010. By miscalculating its reserve formula computation, the Firm violated

Exchange Act Rule 15c3-3 and FINRA Rule 2010.

In addition, during the Relevant Period, the Firm's bank reconciliations were inadequate because reconciling items related to the Firm's general cash account were not properly dated. Instead, the reconciling items were identified only by the approximate month and year of each entry, rather than the actual date. In addition, the Firm reflected the unresolved reconciling items as a net sum in its general ledger bank reconciliation. By failing to include the actual date of each reconciling item and netting the outstanding reconciling items, the Firm was unable to identify any aged reconciliation differences required to be deducted from its net capital computation or reflected as credits in its reserve formula calculation, as required by Exchange Act Rules 15c3-1 and 15c3-3. The Firm also failed to include the correct signature of the preparer and/or reviewer of the bank reconciliation attesting to the accuracy of the information contained therein. The Firm's bank reconciliations are an integral part of its documentation pertaining to receipts and disbursements of cash and debits and credits, as well as income and expense and capital accounts, and thus are required to be maintained by the Firm pursuant to Exchange Act Rule 17a-3(a)(2). By maintaining inaccurate and inadequate bank reconciliations, the Firm violated NASD Rule 3110, FINRA Rule 2010 and Exchange Act Rule 17a-3.

Failure to Supervise

NASD Rule 3010(a) requires members to, among other things, "establish and maintain a system to supervise the activities of each registered representative, registered principal, applicable securities law and regulations, and with applicable NASD Rules. Final responsibility for supervision shall rest with the member." NASD Rule 3010(b) requires members to, among other things, "establish, maintain, and enforce written procedures ... that are reasonably designed to achieve compliance with applicable securities law and regulations." During the Relevant Period, the Firm did not establish and maintain a system or establish, maintain and enforce written procedures to supervise its operating bank account reconciliation process and the maintenance of its general ledger in such a way that was reasonably designed to achieve compliance with applicable securities laws and regulations, in violation of NASD Rule 3010 and FINRA Rule 2010, as follows:

Accounting Controls

During the Relevant Period, the Firm did not segregate the funding, accounting, reconciliation, and reporting duties of the Financial and Operations Principal ("FINOP"). The FINOP was responsible for ensuring that all required books and records for the Firm were accurately prepared and maintained on a current basis and properly preserved. However, during the Relevant Period, the Firm lacked adequate accounting controls of its bank general ledger process as there was no supervisory oversight when cash was disbursed by the FINOP. Specifically, the

FINOP was responsible for making journal entries related to cash in the Firm's general cash account, and for performing the cash general ledger reconciliation. The FINOP also had the ability to disburse cash from the Firm's general cash account without any additional supervisory review. Hence, the FINOP exercised complete and unsupervised control over cash journal entries pertaining to the general cash account in the Firm's general ledger in such a way that increased the potential for inaccurate and/or illegitimate entries into the Firm's general ledger. Accordingly, during the Relevant Period, the Firm lacked an adequate supervisory system and procedures reasonably designed to ensure the legitimacy and/or accuracy of the FINOP's cash journal entries, in violation of NASD Rule 3010 and FINRA Rule 2010.

General Ledger Certification Process and Monthly Reconciliations

During the Relevant Period, the Firm's general ledger certification process (the "Certification System") was inadequate and unreliable. Specifically, the Certification System required the Firm employee that performed the particular bank reconciliation to attest that he/she was the "preparer" of the reconciliation. During the Relevant Period, each Certification System entry identified the Firm's Division Controller as the preparer and reviewer of the reconciliations for the general cash account. However, at all times during the Relevant Period, the FINOP prepared and reviewed the general cash account, with the assistance of the Division Controller. Accordingly, the information set forth in the Certification System was a misrepresentation of the actual reconciliation process, and demonstrated a lack of adequate segregation of duties, insofar as the FINOP not only performed the reconciliations, but also reviewed them. Accordingly, during the Relevant Period, the Firm lacked an adequate supervisory system and procedures reasonably designed to ensure the legitimacy of the Firm's bank reconciliation process, as demonstrated by the inadequacy of the Certification System, in violation of NASD Rule 3010(a) and FINRA Rule 2010.

In addition, although the Firm's Written Supervisory Procedures ("WSPs") required the Firm to perform daily reconciliations, during the Relevant Period the Firm only performed monthly reconciliations of the Firm's general cash account. The Firm's failure to enforce its written procedures pertaining to daily reconciliations constitutes a violation of NASD Rule 3010(b) and FINRA Rule 2010.

Unauthorized Access to the Firm's General Ledger

During the Relevant Period, 438 employees of the Firm's affiliate maintained access to process journal entries (including entries to cash) in the Firm's general ledger. The Firm's FINOP Department was not aware that these 438 individuals had access to make journal entries to the Firm's general ledger. The Firm failed to maintain a supervisory system reasonably designed to maintain the integrity and safekeeping of the Firm's general ledger by failing to appropriately monitor

access to the Firm's general ledger, in violation of NASD Rule 3010(a) and FINRA Rule 2010.

In sum, during the Relevant Period, the Firm failed to establish and maintain a supervisory system reasonably designed to ensure (i) the timely resolution of reconciling differences; (ii) the maintenance of and access to the Firm's general ledger including, but not limited to, the certification process; (iii) the accuracy of the Firm's net capital computations and customer reserve calculations related thereto; (iv) segregation of the funding, account, reconciliation and reporting duties of the FINOP; and (v) the Firm's compliance with the requirements of FINRA rules and the federal securities laws regarding the preparation and maintenance of the Firm's financial books and records. As a result of the aforementioned conduct, the Firm violated NASD Rule 3010 and FINRA Rule 2010.

B. State Street also consents to the imposition of the following sanctions:

- a censure; and
- a \$125,000 fine.

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

State Street specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

State Street specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against it;
- 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, State Street 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.

State Street 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

State Street 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 it; and

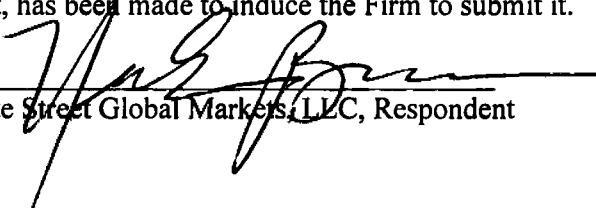
C. If accepted:

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 me;
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. State Street 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. State Street 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 State Street'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. State Street 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 said person 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.

11-26-13
Date (mm/dd/yyyy)

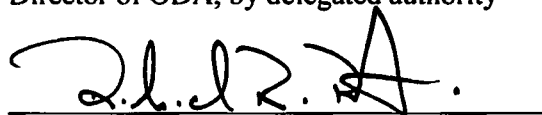

State Street Global Markets, LLC, Respondent

By: Nicholas Bonn
Executive Vice President

Accepted by FINRA:

12.12.13
Date

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

A handwritten signature in black ink, appearing to read "R. Best", written over a horizontal line.

Richard Best
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STATE STREET GLOBAL MARKETS.

State Street Global Markets, LLC

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Boston, MA 02111

www.statestreetglobalmarkets.com

November 26, 2013

FINRA Department of Enforcement
One World Financial Center
200 Liberty Street
New York, NY 10281

Re: Statement of Corrective Action

To Whom It May Concern:

State Street Global Markets, LLC (the "Firm" or the "Respondent") submits the following Statement of Corrective Action taken to address those deficiencies in our compliance with NASD Rule 3110, Rule 17a-3 of the Securities Exchange Act of 1934 (the "Exchange Act"), Exchange Act Rule 15c3-1, Exchange Act Rule 15c3-3, FINRA Rule 4523(a), NASD Rule 3010, and FINRA Rule 2010, and each as referred to in the enclosed Letter of Acceptance, Waiver and Consent (the "AWC") delivered to the Respondent by the Financial Industry Regulatory Authority ("FINRA").

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

The Respondent takes its obligations to comply with the various rules referred to in the AWC (collectively, the "Rules") very seriously. The Respondent has taken the following corrective actions with respect to the violations of the Rules described in the AWC:

Inadequate Bank Reconciliations, Related Net Capital and Customer Reserve Violations

With respect to the items flagged in the AWC regarding inadequate bank reconciliations, related net capital and customer reserve violations, the Firm has, since the Relevant Period, retained a new Chief Financial Officer and a new Financial and Operations Principal (FinOp). The Firm has also augmented its written supervisory procedures (WSPs) and desk procedures with respect to these items and the Firm's Chief Financial Officer and compliance department have reinforced existing procedures with the Firm's finance team.

Failure to Supervise

With respect to the items flagged in the AWC regarding failure to supervise, the Firm has, since the Relevant Period, hired additional staff to support the Chief Financial Officer and the FinOp and the CFO and FinOp have provided and reinforced training on process and controls with new and existing staff. Specifically, the Firm has augmented and automated its reconciliation process in that the corporate accounting team at State Street Bank and Trust Company, the Firm's affiliate, utilizes its technology to prepare automated reconciliations of the Firm's operating account on a daily basis. The corporate accounting team then provides the Firm with a daily reporting of matched and unmatched items for review, investigation, and resolution. The Firm reviews such report and perform a daily reconciliation, as required by the Firm's WSPs. Additionally, the Firm has implemented a process that requires that a different, more senior, employee perform a secondary review of all general ledger certifications.

Unauthorized Access to the Firm's General Ledger

In May 2012, the Firm completed a project that limited access to the Firm's general ledger to only persons approved by the Firm's CFO. The Firm's desk procedures require the CFO to review the list of approved persons on an annual basis.

The Firm understands the seriousness of complying with the Rules. The Firm believes that the steps it has taken effectively address the issues noted in the AWC and will continue to make an appropriate and diligent effort to adhere to the requirements.

Respectfully,

A handwritten signature in black ink, appearing to read 'Nicholas Bonn', with a long horizontal stroke extending to the right.

Nicholas Bonn
Chief Executive Officer