

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120335949-01

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

RE: E*Trade Securities LLC, Respondent
Broker-Dealer
CRD No. 29106

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, E*Trade Securities LLC, (the "firm" or "Respondent") 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 Respondent 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

The firm has been a member of FINRA since February 19, 1992 and its registration remains in effect

RELEVANT DISCIPLINARY HISTORY

The firm does not have any relevant disciplinary history.

SUMMARY

In connection with matter 20120335949, the Trade Reporting and Compliance Engine ("TRACE") staff of the Department of Market Regulation conducted a review of the firm related to TRACE reporting requirements for the review period of January 1, 2012 through June 30, 2012 (the "first review period").

In connection with matter 20130357449, the TRACE staff of the Department of Market Regulation conducted a review of the firm related to TRACE reporting requirements for the review period of October 1, 2012 through December 31, 2012 (the "second review period").

In connection with matter 20130366980, the TRACE staff of the Department of Market Regulation conducted a review of the firm related to TRACE reporting requirements for the review period of January 1, 2013 through March 31, 2013 (the "third review period").

FACTS AND VIOLATIVE CONDUCT

In connection with matter 20120335949, the staff concluded the following:

1. During the first review period, the firm, in eight instances, failed to provide the customer with written notification disclosing that the security was subject to redemption before maturity in TRACE eligible Agency Debt securities and also failed to provide the relevant information for the calculation to the call date and price for the yield value that was disclosed on the customer confirmation. Additionally, during the review period, the firm failed to disclose the accurate yield-to-worst to a customer for seven transactions in TRACE-eligible Agency Debt securities. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
2. During the first review period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of FINRA, concerning TRACE reporting. Specifically, the firm's supervisory system did not include written supervisory procedures providing for (1) a statement of the supervisory step(s) to be taken by the identified person(s) and (2) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes a violation of FINRA Rule 2010 and NASD Rule 3010.

In connection with matter 20130357449, the staff concluded the following:

3. During the second review period, in 19 instances, the firm failed to provide the customer with written notification disclosing that the security was subject to redemption before maturity in TRACE eligible Agency Debt securities. Additionally, in 18 instances, the firm failed to provide the relevant information for the calculation to the call date and price for the yield value that was disclosed on the customer confirmation. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.

In connection with matter 20130366980, the staff concluded the following:

4. During the third review period, in seven instances, the firm failed to provide the customer with a written notification disclosing that the security was subject to redemption before maturity and also failed to provide the relevant information for the calculation to the call date and price for the yield value that was disclosed on the customer confirmation. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.

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

A censure and a fine of \$17,500 comprised of a fine of \$10,000 for the violations related to SEC customer confirmation requirements and a fine of \$7,500 for the supervisory related violations. The firm also agrees to an undertaking to revise the firm's written supervisory procedures with respect to the areas described above in paragraph 2. Within 30 business days of acceptance of this AWC by the NAC, a registered principal of the Respondent shall submit to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850**, a signed, dated letter, or an e-mail from a work-related account of the registered principal to

MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in this paragraph; and, (3) the date the revised procedures were implemented.

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. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent 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

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 Respondent; 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. 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 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. Respondent 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.

5.23.14

Date

Respondent

E*Trade Securities LLC

By: June Batcheller

Name: JUNE BATCHELLER

Title: VP, CHIEF COMPLIANCE
OFFICER

Reviewed by:

N. Blair Vietmeyer

N. Blair Vietmeyer
Counsel for Respondent
E*Trade Securities LLC

Accepted by FINRA:

5/30/2014 + e

Date

Signed on behalf of the

Director of ODA, by delegated authority

Justin Chretien 6/19/2014
Justin Chretien
Chief Counsel
FINRA Department of Market Regulation