

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2013038369901**

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

RE: Scottrade, Inc., Respondent ("Scottrade")
CRD No. 8206

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Scottrade 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 Scottrade alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Scottrade 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

Scottrade is a discount broker that has been registered with FINRA or its predecessor since 1980. As of August 2016, the firm had approximately 494 branches and 2,041 registered persons.

RELEVANT DISCIPLINARY HISTORY

Scottrade does not have any relevant disciplinary history.

OVERVIEW

Over a seven-year period, Scottrade's confirmation statements for approximately 5,000 sales of municipal bonds with optional or special redemption features for approximately 1,500 customers did not identify the bonds as callable. Scottrade did not have a system to ensure that the confirmation statements contained that information. As a result, Scottrade violated MSRB Rules G-15 and G-27.

FACTS AND VIOLATIVE CONDUCT

Some bond contracts entitle the issuer to redeem bonds before their stated maturity date. That right is called “optional redemption.”¹ It may be triggered by a specified “one-time or extraordinary event,” in which case the right is called “special redemption.”²

From 2008 to early 2015, Scottrade’s confirmation statements for approximately 5,000 sales of municipal bonds with optional or special redemption features did not identify the bonds as callable. During that period, Scottrade did not have a system to ensure that its confirmation statements consistently identified such bonds as callable.

During the relevant time period, MSRB Rule G-15(a)(i) required firms to issue, in connection with every transaction in municipal securities for a customer, “a written confirmation that complies with the requirements of this paragraph.” Part (C)(2)(a) of that paragraph required the confirmation statements to include “a notation of ‘callable’” if “the securities are subject to call prior to maturity through any means.” A bond is subject to call if it has an optional or a special redemption feature.³ MSRB Rule G-27(b) required brokers to “establish and maintain a system” for supervision “that is reasonably designed to achieve compliance with applicable securities law and regulations, and with applicable Board rules.”

Because Scottrade’s confirmation statements for approximately 5,000 sales of municipal bonds with optional or special redemption features did not identify the bonds as callable, the firm violated MSRB Rule G-15. Further, because Scottrade did not have a system to ensure that those confirmation statements complied with MSRB Rule G-15(a)(i)(C)(2)(a), the firm also violated MSRB Rule G-27.

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

Censure
Fine of \$150,000

Scottrade agrees to pay the fine imposed in this matter upon notice that this AWC has been accepted and that such payment is due and payable. Scottrade has submitted an Election of Payment form showing the method by which Scottrade proposes to pay that fine. Scottrade specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, that fine.

¹ See Municipal Securities Rulemaking Board, *Glossary of Municipal Securities Terms* (2016), available at www.msrb.org/glossary.aspx (definition of “optional call or redemption”).

² See *id.* (definition of “special redemption”).

³ See *id.* (definition of “call features”); see also MSRB Rule G-47, Supp. Material .03(j) (using “callable securities” to refer to securities that “may be redeemed prior to maturity ... in extraordinary circumstances”).

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against Scottrade;
- 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, Scottrade specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, 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.

Scottrade 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

Scottrade 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 Scottrade; and

C. If accepted:

1. this AWC will become part of Scottrade's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Scottrade;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. Scottrade 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. Scottrade 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 Scottrade's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

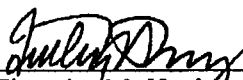
- D. Scottrade may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Scottrade understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement 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 Scottrade, 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 Scottrade 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 Scottrade to submit it.

9/19/16
Date (mm/dd/yyyy)

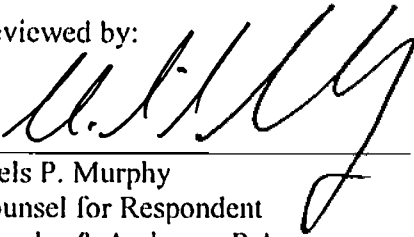
Scottrade, Inc.

By: _____


Timothy M. Huskey

VP, Associate General Counsel

Reviewed by:

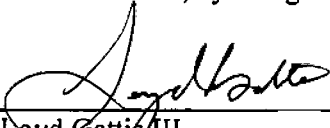


Niels P. Murphy
Counsel for Respondent
Murphy & Anderson P.A.
1501 San Marco Boulevard
Jacksonville, Florida 32207
904-598-9282

Accepted by FINRA:

10/10/16
Date

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



J. Loyd Gattis III
Principal Regional Counsel
FINRA Department of Enforcement
120 West 12th Street
Kansas City, Missouri 64105
816-802-4710 (telephone)
816-421-4519 (facsimile)