

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014039218101**

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

RE: Ditto Trade, Inc., Respondent
Registered Broker-Dealer
CRD No. 151915

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Ditto Trade, Inc. ("Ditto Trade" 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. Ditto Trade 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

Ditto Trade is a registered broker-dealer, and has been a FINRA-registered firm since July 2010. It has one branch office and five registered representatives. The Firm primarily offers self-directed trading accounts, and within those accounts, offers its customers the ability to copy the trading activity of other market participants with the consent of such participant.

RELEVANT DISCIPLINARY HISTORY

The Firm does not have any disciplinary history.

OVERVIEW

Between January 2011 and February 2013 (the "Relevant Period"), the Firm failed to conduct adequate due diligence on so-called Lead Traders and Signal Services (*i.e.*, market participants whose trading activity Firm customers could

copy) to ensure that they were registered or exempt from the registration requirements of the Investment Advisers Act of 1940. As a result, the Firm violated NASD Rule 3010 and FINRA Rule 2010. In addition, on 11 occasions between March 2013 and June 2014, the Firm failed to file required reports with FINRA in a timely manner. As a result of these late filings, the Firm violated SEC Rule 17a-5, FINRA Rule 4524 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. Failure to Conduct Adequate Due Diligence

During the Relevant Period, the Firm offered its customers the ability to copy the trading activity (either automatically or manually on a trade-by-trade basis) of “Lead Traders” or “Signal Services.” Lead Traders were required to establish accounts at the Firm, and by signing-up to be Lead Traders, they agreed to allow other Ditto Trade customers to automatically mirror (“ditto”) their trading activity. Signal Services were not required to establish accounts at the Firm, and a Signal Service’s trades could not be automatically followed by a Ditto Trade customer; rather, a customer received a trade alert and had to decide on a trade-by-trade basis whether to copy the Signal Service’s trade.

The Firm’s customers who engaged in this activity entered into agreements with Lead Traders or Signal Services to automatically follow or to receive trading alerts to permit the customer to follow the Lead Trader’s or Signal Service’s trades in the customer’s own Ditto Trade account. The terms of such agreements were negotiated between the Lead Trader/Signal Service and customer without the involvement of the Firm. The Firm did, however, facilitate payments from its customers to Lead Traders/Signal Services that maintained accounts at Ditto Trade. In accordance with the payment terms agreed to by the Lead Trader/Signal Service and customer, the Firm debited customer accounts and credited accounts of Lead Traders in amounts equal to the negotiated subscription price. In addition, an affiliate of the Firm maintained a website that both identified Lead Traders/Signal Services available to be followed on the Firm’s trading platform and provided a link to the websites of those Lead Traders/Signal Services.

During the Relevant Period, the Firm failed, however, to conduct adequate due diligence relating to the registration requirements for the Lead Traders and Signal Services that were hosted on the Firm’s trading platform and for which the Firm facilitated payments from Firm customers. In light of both the nature of the activity engaged in by Lead Traders and Signal Services and the Firm’s role in facilitating payments to Lead Traders and Signal Services, the Firm should have conducted robust due diligence on Lead Traders and Signal Services to ensure that they were properly registered as investment advisers or were exempt from registration. The Firm failed to do so, and as a result, violated NASD Rule 3010(a) and FINRA Rule 2010.

2. Late Filings

Between March 2013 and June 2014, the Firm failed to timely file: (a) four FOCUS Part IIA reports; (b) one Form Custody Filing; (c) two annual audits; and (d) three Supplemental Statements of Income. The filings were made between one and 25 business days late. As a result of this conduct, the Firm violated SEC Rule 17a-5, FINRA Rule 4524 and FINRA Rule 2010.

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

a Censure; and
a fine of \$30,000.

The Firm 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 the Firm proposes to pay the fine imposed.

The Firm specifically and voluntarily waives any right to claim that the Firm 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

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 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.

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:

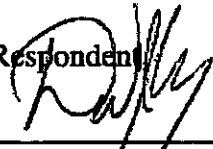
1. this AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Firm;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. 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: (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. 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.

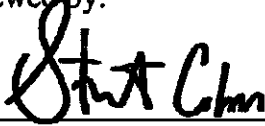
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, threat,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

6/30/15
Date (mm/dd/yyyy)

Ditto Trade, Inc., Respondent


By: David J. Rosenberg, CEO

Reviewed by:

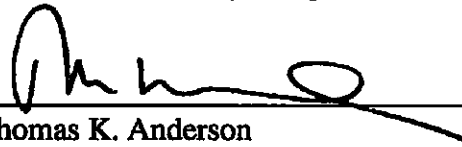


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312.263.8119

Accepted by FINRA:

7/29/15
Date

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



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