

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140397412-01**

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

RE: Scottrade, Inc., Respondent
Broker-Dealer
CRD No. 8206

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Scottrade, Inc. (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

Respondent became a FINRA member on May 23, 1980 and its registration remains in effect. The firm does not have any relevant disciplinary history.

SUMMARY

This matter involves a referral from FINRA's Department of Market Regulation Short Interest Team for the firm's failure to report short interest positions, over-reporting short interest positions and the firm's supervisory deficiencies during the period January 13, 2006 through November 15, 2013 (the "review period"). As a result of its review, the Department of Market Regulation found that the firm violated NASD Rules 3360, 2110 (for conduct prior to December 15 2008), and 3010; and FINRA Rules 4560 and 2010 (for conduct on or after December 15, 2008).

FACTS AND VIOLATIVE CONDUCT

1. For settlement dates between January 13, 2006 and November 28, 2008, the firm failed to report 126 short interest positions totaling 114,911 shares. The firm failed to report 22 of the 126 short interest positions due to an error by the firm's stock record department. As a result of the error, the firm omitted or dropped securities

from its short interest report. The remaining failures were the result of the firm's misplaced reliance on a third-party website that indicated certain securities were not active and thus not reportable ("non-listed"). The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 3360.

2. For settlement dates between December 15, 2008 and November 15, 2013, the firm failed to report 339 short interest positions totaling 960,362 shares. The firm failed to report 217 of the 339 short interest positions due to the error by the stock record department discussed above. Twenty-two failures were due to the firm's incorrect belief that warrants were not reportable; and the remaining failures were due to the non-listed issue discussed above. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 4560.
3. For settlement dates between December 15, 2009 and December 14, 2012, the firm reported 149 short interest positions totaling 58,972 shares when it should have reported 24 short interest positions totaling 23,596 shares. These inaccurate short interest reports occurred as a result of a software coding issue that reclassified long positions in certain accounts as short. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 4560.
4. Between January 13, 2006 and November 13, 2013, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with NASD Rule 3360 and FINRA Rule 4560. Specifically, the firm's written supervisory procedures ("WSPs") included a spot checking process that did not adequately assess the accuracy and completeness of the firm's reported short interest positions. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 2110 (for conduct prior to December 15, 2008), FINRA Rule 2010 (for conduct on or after December 15, 2008) and NASD Rule 3010.

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

A censure and fine \$110,000 (consisting of \$80,000 for violations of NASD Rules 3360 (for conduct prior to December 15, 2008), FINRA Rule 4560 (for conduct on or after December 15, 2008) and \$30,000 for violations of NASD Rule 2110 (for conduct prior to December 15, 2008), FINRA Rule 2010 (for conduct on or after December 15, 2008) and NASD Rule 3010).

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 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.

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

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. 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.

July 11, 2017
Date

Respondent

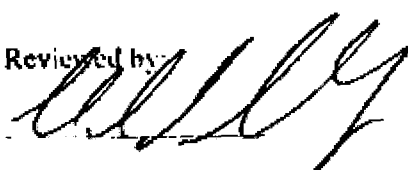
Scottrade, Inc.

By: Ryan Barke

Name: RYAN BARKE

Title: VP, MANAGING COUNSEL

Reviewed by:

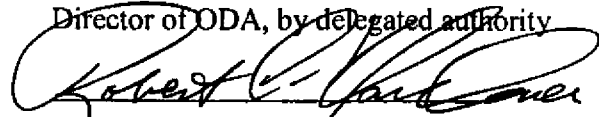

Niels P. Murphy, Esq.
Lawton R. Graves, Esq.
Counsel for Respondent
Murphy & Anderson, P.A.
1501 San Marco Boulevard

Jacksonville, FL 32207
(904) 598-9282

Accepted by FINRA:

7/28/17
Date

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

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

Robert A. Marchman
Executive Vice President
FINRA Department of Market Regulation