

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140399400-01**

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

RE: Charles Schwab & Co., Inc., Respondent
Broker-Dealer
CRD No. 5393

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Charles Schwab & Co., 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

The firm has been a member of FINRA since October 13, 1970 and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm does not have any relevant disciplinary history.

SUMMARY

In connection with matter 20140399400, the Trading and Financial Compliance Examinations staff (the "TFCE staff") conducted a review of the firm for compliance with applicable Exchange, FINRA and SEC Rules and Regulations for trade dates of February 4 and 5, 2014 (the "first review period").

In connection with matter 20140400258, the Trade Reporting and Compliance Engine ("TRACE") staff of the Department of Market Regulation (the "TRACE staff") conducted a review of the firm during the fourth quarter of 2013 (the "second review period") for compliance with various FINRA Rules related to TRACE reporting requirements.

STAR No. 20140399400 (incl. merged STAR Nos. 20140400258 and 20140400268), (JWG)

In connection with matter 20140400268, the TRACE staff conducted a review of the firm during the second review period for compliance with various FINRA Rules related to TRACE reporting requirements and the reporting of inter-dealer trades.

FACTS AND VIOLATIVE CONDUCT

In connection with matter 20140399400, the TFCE staff concluded:

- 1) During the first review period, the firm failed on 60 occasions to provide written notification disclosing to its customer that the transaction was executed at an average price. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.

In connection with matter 20140400258, the TRACE staff concluded that:

- 2) During the second review period, the firm failed to report to TRACE 209 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These transactions constituted 5.13 percent of the transactions in TRACE-eligible securities that the firm reported to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a).

In connection with matter 20140400268, the TRACE staff concluded that:

- 3) During the second review period, the firm failed to report to TRACE the correct time of trade execution for 98 transactions in TRACE-eligible securities. These inaccurate reports constituted 5.44 percent of the 1,711 inter-dealer reports that the firm submitted to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
- 4) During the second review period, the firm failed to report to TRACE the correct time of trade execution for 23 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These inaccurate reports constituted 1.8 percent of the 1,711 inter-dealer reports that the firm submitted to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a).
- 5) During the second review period, the firm failed to show the correct time of entry on the memorandum of 78 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and FINRA Rule 4511.

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

A censure and a fine of \$17,500. This fine is comprised of a fine of \$2,500 for the customer confirmation violations, a fine of \$10,000 for the TRACE reporting violations, and a fine of \$5,000 for the recordkeeping violations.

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.

3/9/16
Date

Respondent
Charles Schwab & Co., Inc.

By: JMSL

Name: Jeff Struez

Title: Vice President

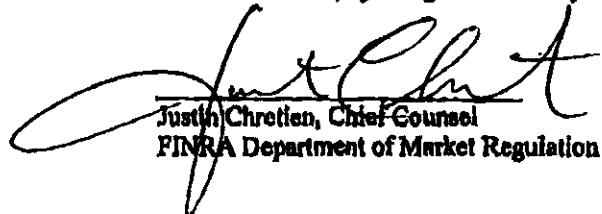
Reviewed by:


Counsel for Respondent
Charles Schwab & Co., Inc.

Accepted by FINRA:

3/10/16 4-22-16
Date

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


Justin Chretien, Chief Counsel
FINRA Department of Market Regulation

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.

3/10/16
Date

Respondent
Charles Schwab & Co., Inc.

By: [Signature]

Name: JAN MUIR

Title: S.V.P. MATHIAS 2014-10399400

and

By: _____

Name: _____

Title: _____

Reviewed by:

Counsel for Respondent
Charles Schwab & Co., Inc.

Accepted by FINRA:

4-22-16
Date

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

[Signature]
Justin Chretien, Chief Counsel
FINRA Department of Market Regulation