

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140404213-01

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

RE: Robert W. Baird & Co. Incorporated ("BARD" or the "firm"), Respondent
Broker-Dealer
CRD No. 8158

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Robert W. Baird & Co. Incorporated (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. The firm 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 August 6, 1971, and its registration remains in effect. The firm does not have any relevant disciplinary history.

SUMMARY

In connection with this matter 20140404213, the Customer Issues Team of the Department of Market Regulation reviewed the firm's compliance with the Order Protection requirements set forth in FINRA Rule 5320 and related supervision requirements during the period of October 1, 2013, through December 31, 2013 (the "review period"). During the review period, the firm traded ahead of customer orders and also failed to have adequate supervision concerning the trading ahead rule. Moreover, in two instances, the firm executed customer orders outside normal market hours, contrary to the customers' instructions. As a result, the firm violated FINRA Rules 5320 and 2010 and NASD Rule 3010.

FACTS AND VIOLATIVE CONDUCT

1. In 23 instances during the review period, the firm accepted and held 16 customer orders in OTC securities, traded for its own account at prices that would have satisfied the

customer orders, and failed to execute or immediately thereafter execute the customer orders up to the size and at the same price at which it traded for its own account or at a better price. In 19 instances, the firm also failed to make every effort to cross a marketable customer order with another order received by the firm on the opposite side of the market. The instances are reflected on Exhibit A. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 5320 and 2010.

2. In 2 instances, the firm, in the conduct of its business, failed to observe high standards of commercial honor and just and equitable principles of trade by executing customer orders outside of normal market hours, which was contrary to the customer's instructions. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2010.
3. 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. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to provide for one or more of the four above-cited minimum requirements for adequate written supervisory procedures concerning Order Protection requirements applicable to customer orders in OTC securities [elements (a), (b), (c), and (d)]. Specifically, the written supervisory procedures relied upon certain exception reports to identify potentially violative conduct, but the exception reports failed to capture the violative conduct cited in this AWC. The conduct described in this paragraph constitute violations of FINRA Rule 2010 and NASD Rule 3010.

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

A censure; a fine of \$12,500 (a unitary fine of \$7,500 for the order-related violations and \$5,000 for the supervisory violations); restitution by Respondent to the customers listed on Exhibit A, which is attached, in the total amount of \$125.54, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. § 6621(a)(2), from the date of the violative conduct until the date this AWC is accepted by the National Adjudicatory Council ("NAC"); and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.3.

A registered principal of the firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution, to the

COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850 or in an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, no later than 120 days after acceptance of this AWC. If for any reason, Respondent cannot locate any customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer is known to have last resided.

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 paragraph I.A.3; and (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

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 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:

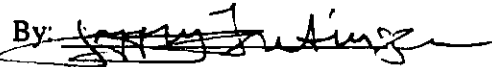
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will 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 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.

9/8/16
Date

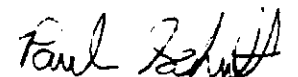
Respondent
Robert W. Baird & Co. Incorporated

By: 

Name: JEFFERY F. FREIBURGER

Title: MANAGING DIRECTOR/CCO

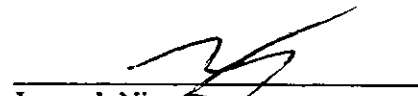
Reviewed by:


Counsel for Respondent

Accepted by FINRA:

September 26, 2016
Date

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


James J. Nixon
Chief Litigation Counsel
Department of Market Regulation

Part I: Triggering Transactions															Part II: Order Details															Part III: Staff's Analysis												
Item #	Exception #	TT Order Received Date	TT Order Received Time	Trade Report Date	Trade Report Time	TT Execution Time	Firm	Capacity	Side	Trade Vol	Issue Symbol	Trade Price	Counter party Firm ID	Branch Sequence ID / Exchange Order ID	Trade Information Barrier ID	Order Letter	Event Type	Order Received Date	Order Received Time	Order to Buy/Sell	Qty	Issue Symbol	Order Type	Limit Price	Firm Order ID	Routing Firm MPID	TIF	Special Handling Code	Canceled Time	Order Route Time	Execution Date	Execution Time	Execution Price	Duration to order route	Duration from the TT to the Order Execution Time or Cancel Time	Trading Ahead	Failure to Cross	Failure to Execute a Marketable Customer Order Fully and Promptly	Failure to Follow the Customer's Instructions Violation	Restitution Calculation	Restitution	
1	6	10/10/2013	14:24:32	10/10/2013	14:24:32	14:24:32	BARD	P	S	317	DTEGY	15.55	MLEX	240571310100162155		H	OE	10/10/2013	14:10:01	SL	100	DTEGY	L	15.55	1LLDASEZFNTP	MLEX	DAY				10/10/2013	14:48:00	\$15.55		00:23:28	Yes	Yes	Yes	No	N/A	N/A	
2	9			10/22/2013	09:29:58	9:29:58	BARD	P	B	1,000	DTEGY	15.87	MLEX	240571310220003439		K	NW	10/22/13	09:26:11	B	7000	DTEGY	L	15.97	1LLDASGYVBX	MLEX	DAY				10/22/13	9:30:11	1,000 @ 15.91 6,000 @ 15.90			Yes	No	No	Yes	(15.91-15.87)*1,000+(15.90-15.87)*526	\$15.82	
3	10			10/22/2013	09:29:58	9:29:58	BARD	P	B	200	DTEGY	15.87	MLEX	240571310220003441																												
4	12			10/22/2013	09:29:58	9:29:58	BARD	P	B	326	DTEGY	15.87	MLEX	240571310220003440																												
5	11			10/22/2013	09:29:58	9:29:58	BARD	P	S	1,000	DTEGY	15.91	MLEX	240571310220003438		L	NW	10/22/2013	09:09:21	SL	2,346	DTEGY	M		1LLDASGYVJAS	MLEX	DAY				10/22/2013	9:42:54	1,000 @ 15.87 1,346 @ 15.91			Yes	No	No	Yes	N/A	N/A	
6	13	10/24/2013	09:54:38	10/24/2013	09:54:38	9:54:38	BARD	P	S	300	DTEGY	16.00	MLEX	240571310240024249		M	NW	10/24/2013	09:41:05	SL	1,000	DTEGY	L	16.00	1LLDASHAS6QA	MLEX	DAY				10/24/2013	15:13:42	\$16.00		00:23:27	Yes	Yes	Yes	No	N/A	N/A	
7	14	10/24/2013	14:50:16	10/24/2013	14:50:15	14:50:15	BARD	P	S	1,000	DTEGY	16.00	CSTI	240571310240211680																												
8	15	10/28/2013	12:02:06	10/28/2013	12:02:06	12:02:06	BARD	P	S	110	DTEGY	16.00	MLEX	240571310280092148		N	NW	10/25/2013	09:35:44	SL	4,000	DTEGY	L	16.00	1LLDASHGQKG5	MLEX	GTC				10/28/2013	12:03:11			Yes	Yes	No	No	N/A	N/A		
9	16	10/30/2013	10:49:48	10/30/2013	10:49:49	10:49:48	BARD	P	S	1,000	DTEGY	16.00	MLEX	240571310300071120		O	NW	10/30/2013	10:35:50	SL	1,000	DTEGY	L	16.00	1LLDASIAI91J	MLEX	GTC				11/29/2013	11:36:31		22 days	Yes	Yes	Yes	No	(16.00-15.90)*1000	\$100.00		
10	17	11/5/2013	12:22:14	11/5/2013	12:22:14	12:22:14	BARD	P	B	111	NSANY	17.60	MLEX	240571311050110443		P	OE	11/5/2013	12:20:48	B	100	NSANY	L	17.60	1LLDASUP18E4	MLEX	DAY				11/5/2013	15:28:45	\$17.60		03:06:31	Yes	Yes	Yes	No	N/A	N/A	
11	18	11/26/2013	14:07:06	11/26/2013	14:07:06	14:07:06	BARD	P	S	424	DTEGY	15.80	MLEX	240571311260135935		Q	NW	11/6/2013	13:37:34	SL	200	DTEGY	L	15.80	1LLDASUJZPW8	MLEX	GTC				11/26/2013	14:59:35	\$15.80		00:52:29	Yes	Yes	Yes	No	N/A	N/A	
12	20	11/27/2013	13:52:00	11/27/2013	13:52:00	13:52:00	BARD	P	S	1,000	DTEGY	15.78	MLEX	240571311270098573		S	NW	11/27/2013	13:47:48	SL	174	DTEGY	L	15.78	1LLDASYCQONT	MLEX	GTC				11/27/2013	13:54:25	\$15.78		00:02:25	Yes	Yes	Yes	No	N/A	N/A	
13	21	11/29/2013	11:32:49	11/29/2013	11:32:49	11:32:49	BARD	P	S	256	DTEGY	15.90	MLEX	240571311290036548		T	CR	11/29/2013	09:53:14	SL	1,000	DTEGY	L	15.90	1LLDASYNXDON	MLEX	GTC				11/29/2013	11:36:31	\$15.90			Yes	Yes	No	No	N/A	N/A	
14	22	12/4/2013	10:35:35	12/4/2013	10:35:35	10:35:35	BARD	P	B	460	NSANY	17.80	MLEX	240571312040042432		U	CR	12/4/2013	10:19:49	B	150	NSANY	L	17.80	1LLDATB2GFR3	MLEX	GTC				12/4/2013	11:33:28	\$17.80		00:57:53	Yes	Yes	Yes	No	N/A	N/A	
15	23	12/5/2013	14:13:27	12/5/2013	14:13:27	14:13:27	BARD	P	B	300	DDAIY	79.75	MLEX	240571312050122977		V	NW	12/5/2013	13:04:52	B	100	DDAIY	L	79.75	1LLDATB8EU9	MLEX	DAY		16:00:00			12/9/2013	15:52:10	\$15.85			Yes	Yes	Yes	No	N/A	N/A
16	24	12/9/2013	15:41:24	12/9/2013	15:35:13	15:35:13	BARD	P	S	831	DTEGY	15.85	MLEX	240571312090166194		W	NW	12/9/2013	15:17:08	SL	2,000	DTEGY	L	15.85	1LLDATBW89SF	MLEX	DAY									Yes	Yes	No	No	N/A	N/A	
17	25	12/10/2013	13:21:27	12/10/2013	13:21:27	13:21:27	BARD	P	S	314	AHONY	17.51	MLEX	240571312100120907		X	OR	12/10/2013	10:13:38	SL	162	AHONY	M		1LLDATC26LYM	MLEX	DAY			14:26:57	12/10/2013	14:26:57	\$17.45	04:13:19	01:05:30	Yes	Yes	Yes	No	(17.51-17.45)*162	\$9.72	
18	26	12/16/2013	15:20:05	12/16/2013	15:20:05	15:20:05	BARD	P	B	1,000	DTEGY	16.2	MLEX	240571312160171012																												
19	27	12/16/2013	15:29:48	12/16/2013	15:29:48	15:29:48	BARD	P	B	1,000	DTEGY	16.20	MLEX	240571312160174569																												
20	28	12/16/2013	15:31:54	12/16/2013	15:31:54	15:31:54	BARD	P	B	1,000	DTEGY	16.20	MLEX	240571312160177409		Y	NW	12/16/2013	14:20:39	B	2000	DTEGY	L	16.2	1LLDATD1WL1YH	MLEX	GTC				12/16/2013	15:41:32	\$16.20		00:11:44	Yes	Yes	Yes	No	N/A	N/A	
21	29	12/16/2013	15:33:18	12/16/2013	15:33:18	15:33:18	BARD	P	B	200	DTEGY	16.20	MLEX	240571312160177824																												
22	30	12/16/2013	15:39:54	12/16/2013	15:39:54	15:39:54	BARD	P	B	1000	DTEGY	16.2	MLEX	240571312160181033																												
23	31	12/16/2013	11:32:34	12/16/2013	11:32:34	11:32:34	BARD	P	S	228	SSEZY	22.00	MLEX	240571312160064165		Z	NW	12/16/2013	11:26:57	SL	260	SSEZY	L	22.00	1LLDATD1WGVVD	MLEX	GTC					12/18/2013	14:06:52	\$22.00			Yes	Yes	No	No	N/A	N/A
																																			Total Trading Ahead Violations:		23					
																																			Total Failure to Cross Violations:		19					
																																			Total Failure to Execute a Marketable Customer Order Fully and Promptly Violations:		10					
																																			Total Failure to Follow Customer Instructions Violations:		2					
																																			Total Restitution:		\$125.54					