

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20150442258-01

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

RE: E*TRADE Securities LLC, Respondent
Broker-Dealer
CRD No. 29106

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, E*TRADE Securities LLC (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 February 19, 1992 and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm does not have any relevant disciplinary history.

SUMMARY

In connection with matter 20150442258, the Trading and Financial Compliance Examinations (TFCE) staff of the Department of Market Regulation (the "staff") conducted a review of the firm related to the firm's compliance with various FINRA and SEC rules and regulations during the review period of August 14 and 15, 2015 (the "TFCE review period"). The staff found a systemic OATS reporting issue and, as a result of the systemic issue with the firm's OATS reporting, the firm violated FINRA Rule 7450 during the period of October 17, 2011 through December 18, 2015 (the "review period"). The firm also violated FINRA Rules 2010 and 3110 during the TFCE review period.

FACTS AND VIOLATIVE CONDUCT

In connection with matter 20150442258:

1. During the review period, the firm transmitted to the Order Audit Trail System ("OATS") 1,516,812 Reportable Order Events to OATS that were directed orders but failed to include the correct special handling code (100% of all directed orders). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
2. During the TFCE review period, 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, concerning timely and accurate OATS reporting. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes a violation of FINRA Rules 2010 and 3110.

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

A censure and a fine of \$40,000, of which \$35,000 is for the OATS violations and \$5,000 is for the supervision violation.

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.

4/13/2017
Date

Respondent
E*TRADE Securities LLC

By: James E. Ballowe, Jr.

Name: James E. Ballowe, Jr.

Title: SVP and Senior Counsel Brokerage
E*TRADE Financial Corporation

Reviewed by:

N. Blair Vietmeyer
N. Blair Vietmeyer
Counsel for Respondent
E*TRADE Securities LLC
671 North Glebe Road, 12th Floor
Arlington, VA 22203

Accepted by FINRA:

4/13/2017
Date

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

5/9/2017
Justin Chretien
Justin Chretien
Chief Counsel
FINRA Department of Market Regulation