

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20160486084-01**

TO: Department of Enforcement
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

The firm is a discount broker-dealer and primarily provides securities brokerage and investment services to self-directed online retail investors. The firm is a wholly-owned subsidiary of Scottrade Financial Services, Inc. Scottrade became a member of FINRA on May 23, 1980 and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On September 28, 2015, FINRA accepted an AWC containing a censure and fine of \$15,000 for OATS reporting violations for conduct that occurred from January 1, 2014 to March 31, 2014.

On March 12, 2014, FINRA accepted an AWC containing a censure and fine of \$10,000 for OATS reporting violations that occurred on trade April 2, 2012.

On December 16, 2012, FINRA accepted an AWC containing a censure and fine of \$10,000 for OATS reporting violations for conduct that occurred January 1, 2011 to March 31, 2011.

SUMMARY

In Matter No. 20160486084, the Trading & Financial Compliance Examination ("TFCE") staff of the Market Regulation Department (the "staff") of the Financial Industry Regulatory Authority ("FINRA") conducted a 2016 TFCE Equities Examination ("2016 Exam") of Scottrade for trade date April 18, 2016 (the "review period").

As a result of the 2016 Exam, the firm violated SEC Rule 10b-10 and FINRA Rules 2010, 3110, and 7450.

FACTS AND VIOLATIVE CONDUCT

In connection with FINRA Matter No. 20160486084, the staff found that:

1. During the review period, the firm transmitted to the Order Audit Trail System ("OATS") 25 orders which contained inaccurate, incomplete, or improperly formatted data (33% error rate). The conduct described above constitutes separate and distinct violations of FINRA Rule 7450.
2. During the review period, in 25 instances out of 25 sampled items (100% error rate), the firm failed to provide details required to be disclosed on confirmations to customers for transactions effected by a broker/dealer. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
3. During the review period, the firm's supervisory system, including written supervisory procedures ("WSPs") were not reasonably designed to achieve compliance with respect to the applicable securities laws and regulations and to FINRA Rules. At a minimum, adequate written supervisory procedures should describe the following:
 - (a) the identification of the person(s) responsible for supervision with respect to the applicable rules;
 - (b) a statement of the supervisory step(s) to be taken by the identified person(s);
 - (c) a statement as to how often such person(s) should take such steps; and,
 - (d) a statement as to how the completion of the step(s) included in the WSPs should be documented.
4. The firm's WSPs failed to provide for one or more of the above-cited minimum requirements for adequate WSPs in the following areas: OATS Reporting requirements and Accuracy of Customer Confirmations for trades being reported by a third party on Scottrade's behalf.
5. The firm's WSPs did not provide for procedures and supervision reasonably designed to ensure and review for compliance with the requirements to locate (or arrange to borrow) securities being sold prior to execution as prescribed by SEC Rule 203(b) of Regulation SHO.

6. The conduct described in paragraphs four and five constitute separate and distinct violations of FINRA Rules 2010 and 3110.

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

1. a censure; and
2. a fine of \$42,500 (comprised of \$15,000 for OATS violations; \$5,000 for violations of SEC Rule 10b-10; and \$22,500 for supervision).

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.

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.

October 23, 2017
Date

Respondent
Scottrade, Inc.

By: Ryan Barke

Name: RYAN BARKE

Title: VP, MANAGING COUNSEL

Reviewed by:

N/A
Attorney Name
Counsel for Respondent

Accepted by FINRA:

11/1/2018
Date

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

Cara M. Posner
Cara M. Posner
Chief Counsel
FINRA Department of Enforcement