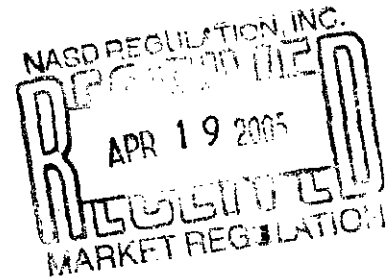


NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
CLG050070



TO: Market Regulation Department
NASD

RE: State Street Global Markets, LLC, Respondent
CRD No. 30107

Pursuant to Rule 9216 of NASD Code of Procedure, State Street Global Markets, LLC ("SSBS" or the "firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against SSBS alleging violations based on the same factual findings.

SSBS understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Market Regulation and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs, pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against SSBS; and
3. If accepted:
 - a. *this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against SSBS;*
 - b. *this AWC will be made available through NASD's public disclosure program in response to public inquiries about the firm's disciplinary record;*
 - c. *NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and*
 - d. *SSBS 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 allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this*

provision affects the firm's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

SSBS also understands that its experience in the securities industry and relevant disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

SSBS entered the securities industry on June 11, 1992 as a member of the NASD and its registration remains in effect. SSBS has the following relevant disciplinary history:

- On June 4, 2004, SSBS was censured and fined \$20,000 for violations of Order Audit Trail System ("OATS") rules during the 3rd Quarter 2002, trade reporting rules during the 1st Quarter 2003, and inadequate written supervisory procedures concerning these two areas.

I.

WAIVER OF PROCEDURAL RIGHTS

SSBS specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against SSBS;
- B. To be notified of the Formal 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, SSBS specifically and voluntarily waives any right to claim bias or prejudice of the General Counsel, 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.

SSBS further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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.

II.

ACCEPTANCE AND CONSENT

In connection with 20042000116 (MRD200342098/MRD200446141) the staff of NASD's Department of Market Regulation (the "staff") conducted a review of the firm's compliance with OATS rules during the periods of April 1, 2003 through June 30, 2003 (the "first review period") and January 1, 2004 through March 31, 2004 (the "second review period").

A. SSBS hereby accepts and consents, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD 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 NASD:

1. During the first review period, SSBS submitted to OATS 2,705 reports with respect to equity securities traded on the Nasdaq Stock Market (the "subject reports") that were not in the electronic form prescribed by NASD and were repairable. The subject reports were rejected by the OATS system and notice of such rejection was made available to the firm on the OATS website. The firm did not correct or replace 1,014 of the subject reports, or 37 percent of the subject reports.
2. During the first review period, SSBS transmitted to OATS 722 execution reports that contained inaccurate data. Specifically, the reports failed to match to an Automated Confirmation Transaction Service ("ACT") trade report. These inaccurate reports represented 29 percent of all execution reports (2,516) transmitted by SSBS during the review period.
3. During the first review period, SSBS transmitted to OATS 66,581 Reportable Order Events ("ROEs") that contained inaccurate data. Specifically, the reports contained inaccurate timestamps. These inaccurate reports represented 16% of all ROEs (420,258) transmitted by SSBS during the review period.
4. During the second review period, SSBS failed to timely report to OATS 50,578 ROEs. These late ROEs represented 9 percent of all ROEs (547,400) submitted by SSBS to OATS during the review period.
5. The conduct described in paragraphs one through four above constitute separate and distinct violations of NASD Marketplace Rule 6955(a) and NASD Conduct Rule 2110.
6. During the first review period, the firm failed to enforce its written supervisory procedures which specified a daily review of the OATS website to check for, among other things, rejected ROEs and Order/Trade

matching statistics.

7. The conduct described in paragraph six above constitutes a separate and distinct violations of NASD Conduct Rules 2110 and 3010.

B. SSBS also consents to the imposition, at a maximum, of the following sanctions:

A censure and a fine of \$40,000 (consisting of a \$30,000 fine for OATS violations and a \$10,000 fine for failure to enforce written supervisory procedures).

The sanctions imposed herein shall be effective on a date set by NASD staff.

III.

OTHER MATTERS

- A. SSBS understands that SSBS may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. SSBS understands that SSBS 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 NASD, nor does it reflect the views of NASD or its staff.
- B. SSBS agrees to pay any monetary sanctions imposed on SSBS upon notice that this AWC has been accepted and that such payments are due and payable and has attached an Election of Payment form showing the method by which SSBS proposes to pay any fine imposed.
- C. SSBS specifically and voluntarily waives any right to claim that SSBS is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

State Street Global Markets, LLC certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce SSBS to submit it.

4/18/05
Date

Respondent
State Street Global Markets, LLC

By: Mark Hansen
Name: MARK HANSEN
Title: Chief Compliance Officer

Reviewed by:

Counsel for Respondent

Accepted by NASD:

6/1/2005
Date

Thomas R. Gira / RGA
Thomas R. Gira
Executive Vice President and Deputy
Department of Market Regulation
Signed on behalf of the Director of
ODA, by delegated authority



STATE STREET
For Everything You Invest In

State Street Global Markets, LLC
One Lincoln Street
Boston, MA 02111

April 18, 2005

NASD
9509 Key West Avenue,
Rockville, MD 20850-3329
Attention: Ms. Stephanie Peters

Re: Corrective Action Statement
Review Nos. MRD200342098/ MRD200446141

Dear Ms. Peters,

Please accept this Corrective Action Statement in response to the findings by the NASD that resulted in the Transmittal of Letter of Acceptance, Waiver and Consent ("AWC") provided to State Street Global Markets, LLC ("SSGM") dated April 4, 2005. SSGM respectfully requests that the following Corrective Actions be considered by the Department of Market Regulation and the Office of Disciplinary Affairs or the National Adjudicatory Council in determining the acceptance or denial of this AWC.

Since the referenced review periods, SSGM has made, and continues to make, changes to our systems and processes in order to ensure compliance with the Order Audit Trail System ("OATS") requirements specified in NASD Marketplace Rules 6950 through 6957. SSGM has invested a considerable amount of time and both financial and human resources to the development of technology in order to meet the OATS requirements. With regard to the violations mentioned in the Letter of Transmittal of AWC, SSGM fully understands the seriousness of the requirements, has thoroughly reviewed the issues, and has worked extensively with the technology staff to ensure that all required OATS information is properly sent in the electronic form prescribed by the NASD.

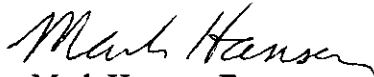
In addition, SSGM has also provided training for the individuals responsible for the OATS reporting requirements to ensure that they are fully aware of their responsibilities as they apply to NASD Marketplace Rules 6950 through 6957. SSGM feels that these actions should ensure compliance with the requirements of NASD Marketplace Rule 6955(a).

SSGM respectfully requests that the Department of Market Regulation consider the facts and circumstances surrounding the OATS trade reporting issues and consider that the majority of the issues were due to technical problems that have since been

corrected. Due to the corrective action taken by SSGM, SSGM respectfully submits that the Department of Market Regulation denies this AWC and that no further enforcement action regarding the above stated findings is either necessary or appropriate.

This Corrective Action Statement is submitted by the Respondent, State Street Global Markets, LLC. It does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD, or its staff. Should you require any additional information or have any questions please contact me at [REDACTED]

Respectfully,

A handwritten signature in cursive script, appearing to read "Mark Hansen".

Mark Hansen, Esq.
Chief Compliance Officer