

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
CLG050096

TO: Department of Market Regulation
NASD

RE: Scottrade, Inc., Respondent
Broker-Dealer
CRD No. 8206

Pursuant to Rule 9216 of NASD Code of Procedure, Scottrade, Inc. ("SSIC" 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 SSIC alleging violations based on the same factual findings.

SSIC 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 SSIC; and
3. If accepted:
 - a. this AWC will become part of SSIC's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against SSIC;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about SSIC'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. SSIC 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 SSIC's testimonial obligations or right to take legal or factual positions in

litigation or other legal proceedings in which NASD is not a party.

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

SSIC has been a member of NASD since May 23, 1980 and its registration remains effective. SSIC has the following relevant disciplinary history:

- On January 30, 2003, NASD accepted an AWC which fined SSIC \$5,000 for reporting through the Automated Confirmation Transaction Services ("ACT") 60 last sale reports of transactions in eligible securities that it was not required to report.

I.

WAIVER OF PROCEDURAL RIGHTS

SSIC 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 SSIC;
- 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, SSIC specifically and voluntarily waives any right to claim bias or prejudgment 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.

SSIC 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

This matter arose out of a review, 20042000174 (MRD20033830), conducted by the staff of NASD's Department of Market Regulation (the "staff") of SSIC's compliance with trade reporting rules during the period July 1, 2002 through September 30, 2002 (the "review period").

A. SSIC 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. SSIC failed to report through ACT the correct symbol indicating whether the transaction was a buy, sell or cross in 161 transactions in eligible securities.
2. The conduct described in paragraph one constitutes separate and distinct violations of NASD Marketplace Rule 6420(c)(4).
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 NASD, concerning trade reporting. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) 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); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.
4. The conduct described in paragraph three above constitutes a separate and distinct violation of NASD Conduct Rules 2110 and 3010.

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

A censure and a fine of \$10,000 (composed of a \$5,000 fine for the trade reporting violations and a \$5,000 fine for the supervision violation), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph three. 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, 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 three; and, (3) the date the revised procedures were implemented.

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

III.

OTHER MATTERS

- A. SSIC understands that SSIC may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. SSIC understands that SSIC 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. SSIC agrees to pay any monetary sanctions imposed on SSIC 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 SSIC proposes to pay any fine imposed.
- C. SSIC specifically and voluntarily waives any right to claim that SSIC is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Scottrade, Inc. certifies that SSIC 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 SSIC to submit it.

5/17/05
Date

Respondent
Scottrade, Inc.

By: [Signature]
Name: A. C. Small
Title: General Counsel

Reviewed by:

[Signature]
Counsel for Respondent

Accepted by NASD:

7/7/05
Date

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