

**THE NASDAQ STOCK MARKET LLC  
NOTICE OF ACCEPTANCE OF AWC**

**Certified, Return Receipt Requested**

**TO: Newedge USA, LLC  
c/o Mr. Antoine Babule  
Chief Executive Officer  
550 W. Jackson  
Suite 500  
Chicago, IL 60661**

**FROM: The NASDAQ Stock Market LLC ("Nasdaq")  
c/o Financial Industry Regulatory Authority ("FINRA")  
Department of Market Regulation  
9509 Key West Avenue  
Rockville, MD 20850**

**DATE: July 10, 2013**

**RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No 20120325257-01**

**Please be advised** that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted by the Nasdaq Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Nasdaq Review Council, pursuant to Nasdaq Rule 9216. A copy of the AWC is enclosed herewith.

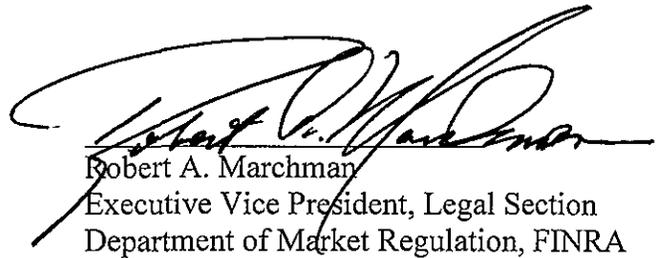
You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or NASDAQ if you are not a member of FINRA) in writing of any change of address or other changes required to be made to your Form BD.

You are reminded that Section I of the attached Letter of Acceptance, Waiver, and Consent includes an undertaking. In accordance with the terms of the AWC, a registered principal of the firm is required to notify the Compliance Assistant, Legal Section, Market Regulation Department, 9509 Key West Avenue, Rockville, MD 20850, of completion of the undertaking.

You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed and by NASDAQ's Finance Department regarding the payment of any fine if a fine has been imposed.

Newedge USA, LLC  
Page 2

If you have any questions concerning this matter, please call Edwin Aradi, Counsel, at (240) 386-5690.



Robert A. Marchman  
Executive Vice President, Legal Section  
Department of Market Regulation, FINRA

Signed on behalf of NASDAQ

Enclosure

FINRA District 8 – Chicago  
Carla A. Romano  
Regional Director  
55 West Monroe Street  
Suite 2700  
Chicago, IL 60603-5052

Stephen L. Ratner, Esq.  
Proskauer Rose LLP  
Eleven Times Square  
New York, NY 10036

**THE NASDAQ STOCK MARKET LLC**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 20120325257-01**

TO: The NASDAQ Stock Market LLC  
c/o Department of Market Regulation  
Financial Industry Regulatory Authority ("FINRA")

RE: Newedge USA, LLC, Respondent  
Broker-Dealer  
CRD No. 36118

Pursuant to Rule 9216 of the The NASDAQ Stock Market LLC ("Nasdaq") Code of Procedure, Newedge USA, LLC ("Newedge" 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 below. This AWC is submitted on the condition that, if accepted, Nasdaq 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 Nasdaq, or to which Nasdaq 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 Nasdaq:

**BACKGROUND**

1. Newedge's principal place of business is Chicago, Illinois. The Firm has been registered with the Securities and Exchange Commission since 1994 and with Nasdaq since 2006. Newedge is also registered with FINRA and multiple equity and option exchanges, including the New York Stock Exchange LLC, NYSE Arca, Inc., and BATS Exchange, Inc.<sup>1</sup>

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<sup>1</sup> In January 2008, Fimat USA, LLC merged with Calyon North America Holdings, Inc. and changed its name to Newedge USA, LLC. Accordingly, the Firm's registration statuses noted above (which predate the formation of Newedge USA, LLC in January 2008) were transferred in succession from Fimat USA, LLC to Newedge USA, LLC in January 2008. Among other things, the Firm acts as a correspondent clearing firm and prime broker on DMA trades executed by other U.S. broker-dealers. Many of the Firm's clients trade both securities and options with the Firm on a DMA basis.

2. The Firm's customers are mainly institutional and consist of financial institutions, hedge funds, asset managers, professional trading groups, and corporate clients. This AWC relates to the equities<sup>2</sup> business entered into by Newedge in 2005.
3. Newedge offers Direct Market Access ("DMA") and, prior to July 2011, Sponsored Access ("SA") to its equities customers. The Firm's DMA customers access U.S. markets electronically through the Firm's order routing platform and/or internet service vendors. Its SA clients routed orders directly to market centers without going through the Firm's servers. In both cases, the customers access U.S. equities markets using Newedge's market participant identifiers, or MPIDs.

### **RELEVANT DISCIPLINARY HISTORY**

4. The Firm has no relevant disciplinary history.

### **OVERVIEW**

5. During the period of January 2008 through December 2011 (the "relevant period"), the Firm failed to establish, maintain and enforce adequate supervisory systems and procedures, including written supervisory procedures that were reasonably designed to achieve compliance with applicable securities laws and regulations, including Nasdaq rules, addressing potentially manipulative and suspicious trading activity by the Firm's DMA and SA clients, such as spoofing,<sup>3</sup> marking the close,<sup>4</sup> excessive repetitive order entry, and wash sale transactions, numerous instances of which may have occurred on as many as four exchanges, including Nasdaq.
6. In addition, during the relevant period, the Firm failed to obtain and maintain certain required records, such as opening account documents, order data from SA clients, attachments to e-mails, "bcc" email information, text messages, and certain required documentation related to its DMA and SA client accounts.

### **FACTS AND VIOLATIVE CONDUCT**

#### **Failure to Supervise DMA and SA Business Lines**

7. During the relevant period, Nasdaq Rule 3010(a) required that each member "establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable Nasdaq rules." Rule 3010(a) further required that each member "comply with NASD Rule 3010 as if such Rule were part of

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<sup>2</sup> Throughout this document, the term "equities" shall include stock, equity options, and/or exchange-traded funds.

<sup>3</sup> Generally, "spoofing" is a form of market manipulation that involves the market manipulator placing certain non-bona fide orders with the intention of cancelling those orders once they have triggered some type of market movement and/or response from other market participants, from which the market manipulator might benefit by trading certain other bona fide orders.

<sup>4</sup> "Marking the close" involves the placing and execution of orders shortly before the close of trading on any given day to artificially affect the closing price of a security.

Nasdaq's Rules." Accordingly, as required by NASD Rule 3010(b), each member was required to "establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of [Nasdaq]."

8. During the relevant period, Nasdaq Rule 2110 stated that a "Member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."
9. Newedge did not establish and maintain a supervisory system, or establish, maintain, and enforce written supervisory procedures, reasonably designed to achieve compliance with applicable securities laws and regulations, including Nasdaq rules, addressing the detection, monitoring, prevention and reporting of potentially manipulative and suspicious trading activity violative of Nasdaq rules and applicable securities laws.

The Firm did not have sufficient procedures to monitor DMA and SA client trading potentially violative of Nasdaq rules and applicable securities laws

10. While the Firm began providing clients access to equities exchanges through DMA and SA arrangements in January 2008, the Firm did not establish any policies or procedures to monitor such customer activity until August 2008.
11. After August 2008, the Firm's existing procedures were inconsistent and inadequate. For example, the Firm did not have adequate procedures or controls to track or monitor which equities clients used DMA and SA access. The Firm knew in as early as May 2008 that it could not adequately identify which of its clients had access to its systems and could not readily identify all of the entities to which it granted DMA and SA access for purposes of monitoring their equities trading activity.
  - a. In May 2008, the report of an outside consultant engaged by the Firm (the "May 2008 Report") noted that there was no "full inventory of all customers and their e-trading/direct access systems" and that there was "[n]o department that had the responsibility for the compilation of . . . relationships and exchange linkages or for limit setting and review for e-trading business."
  - b. In May 2008, a high ranking employee of Newedge sent an email to another high ranking Newedge employee indicating: "I am concerned about the proliferation of equity trading systems without any sort of systemic evaluation of the risk control functions being employed or how these [sic] systems will be set up and supported. Every time I think I have a definitive list of systems . . . I hear about systems they are using that are not on the list."

12. After the May 2008 Report's recommendation that, among other things, the Firm compile a master list of all customers and their trading systems with risk controls and review direct access client risk monitoring, and after high ranking members of Newedge expressed concern on these issues, the Firm still did not have an adequate understanding of or have adequate information regarding the Firm's customers' trading systems and risk controls as of late 2010. Additionally, as late as 2011, the Firm was still unable to identify which of its clients accessed the markets using DMA and SA.
13. The May 2008 Report put the Firm on notice that it had inadequate and inconsistent policies and procedures regarding DMA and SA clients, and it had not clearly delegated responsibility for supervising the DMA/SA program. It received additional red flags in the form of continued warnings by its compliance group:
  - a. In its March 25, 2008 Annual Compliance Report, Newedge staff recommended that the Firm "standardize and harmonize its DMA agreements and procedures" and "require the various groups and departments involved in DMA... to work together to share information, harmonize procedures, controls and agreements, and delineate clearly which group is responsible for which DMA-related activity."
  - b. In an April 9, 2009 compliance memo, Newedge staff stated: "We recommend that [internal departments] coordinate and consolidate their efforts in establishing and implementing policies and procedures regarding DMA business."<sup>5</sup>
14. A significant number of the Firm's clients were not "on-boarded" in compliance with the Firm's internal policies.<sup>6</sup> In spite of several "red flags" (discussed below) regarding the Firm's inconsistent on-boarding, the Firm did not take adequate steps to remedy these issues during the relevant period.
  - a. The Firm's 2009 Securities Compliance Memorandum (issued on April 15, 2009) noted that NYSE Arca notified the Firm that it needed to "strengthen its DMA on-boarding procedures."
  - b. Between 2008 and the end of 2010, the Firm's then head of its eSolutions group alerted senior personnel at the Firm that it needed to allocate more resources to properly on-board clients. Newedge, however, failed to do so.
15. The policies and procedures that did exist at the Firm during the relevant period dealt primarily with credit and risk management. These procedures, however, were not adequate. The Firm failed to take steps to ensure that its equities order routing systems contained appropriate blocks and filters with regard to credit and risk management until the spring of 2011.

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<sup>5</sup> The Firm's internal references to "DMA" were intended to include both DMA and SA market access arrangements with clients.

<sup>6</sup> On-boarding is generally the process during which a firm obtains necessary information about a new client to determine the proper monitoring of the client in light of the client's trading strategy. It is also the process during which the firm provides the new client access to certain trading platforms. The Firm did not consistently handle on-boarding of new clients or even consistently approve new DMA clients.

16. From its inception in January 2008, the Firm knew that it was unaware of what controls its clients had implemented, but chose to largely rely on its clients to achieve compliance with applicable rules and ignored, or otherwise inadequately responded to, “red flags” regarding supervisory failures highlighted by its own internal auditors, an outside consultant it engaged, and numerous regulatory inquiries it received regarding the activity of one particular Newedge client. During the relevant period, responsibility for responding to regulatory inquiries was too spread out to be effective and ensure accountability. Additionally, testimony from employees confirmed that Newedge lacked the ability to effectively promote compliance with the applicable rules and regulations during the relevant period, and did not have monitoring tools sufficient to monitor clients’ trading activity.

The Firm did not have adequate surveillance tools to monitor for client trading activity potentially violative of Nasdaq rules and applicable securities laws

17. The Firm failed to perform adequate real-time and post-trade surveillance reviews, and in some instances used incomplete data for the few reviews it did conduct. From its inception in January 2008 to 2010, the Firm’s own internal auditors and an outside consultant warned that the Firm relied too heavily on clients to achieve compliance with regulatory requirements, and had insufficient controls in place to supervise and surveil client DMA and SA equities trading activity. During this time, the Firm knew that it was unaware of what controls its equities clients had implemented, but still chose to largely rely on its clients to achieve compliance with applicable rules.
  - a. The Firm’s 2009 Securities Compliance Memorandum (issued on April 15, 2009) noted that the Firm had been advised by an exchange that its procedures and controls were “geared more toward risk than compliance issues, and [it] rel[ied] too much on customers for adherence to applicable rules and regulations.”
18. The Firm, however, failed to implement appropriate risk controls and filters to monitor for, detect and prevent potentially manipulative conduct violative of Nasdaq rules and applicable securities laws at least through December 2011, a period of approximately four years.
19. The Firm was also put on notice in 2008, 2009, and 2010, through the aforementioned internal auditors and outside consultants, that it did not have sufficient surveillance reports to detect potentially manipulative conduct violative of Nasdaq rules and applicable securities laws. The Firm’s failure in this regard caused considerable systemic risk to the marketplace.
20. The firm received numerous red flags that it failed to respond to, including:
  - a. A March 25, 2008 Annual Compliance Report recommending that the Firm “ensure that all DMA transmission lines (whether NUSA lines or third-party lines) contain the appropriate compliance and risk filters and blocks...”

- b. A March 27, 2009 Annual Compliance Report stating that “DMA transmission lines still lack certain essential blocks and filters, and more exception reports need to be made that will advise the Firm of potential compliance issues.”
  - c. An April 15, 2009 compliance memo recommending, among other things, that “[Information Technology] review current securities DMA transmission lines provided and/or sponsored by the Firm to ensure that they contain the necessary compliance-related blocks and filters, such as those designed to prevent spoofing, market making, unbundling, improper crosses, wash sales, marking the close, painting the tape and inappropriate short sales”; and that Newedge “implement immediately supervisory reviews of securities DMA activities by properly qualified supervisors.”
  - d. A May 4, 2009 compliance e-mail listing “Possible Compliance-Related Blocks, Filters, Alerts for NUSA Securities DMA Business” setting forth blocks and filters to be implemented, such as reports to “prevent users from acting as market makers”; “prevent the same beneficial owner from trading with itself”; “prevent the same beneficial owner from transmitting multiple orders on the same side of the market within a prescribed interval of time in violation of exchange interval or unbundling rules”; “prevent spoofing”; prevent incremental price changes out of step with the underlying security to influence the closing price (marking the close)”; “prevent the inappropriate transmission of MOC/LOC orders past the 3:40 cut-off time”; and “ensure that users will comply with the locate rule prior to executing short sales...”
  - e. A March 29, 2010 Annual Compliance Report stating: “During 2010, efforts should be made to, among other things, obtain trade data from exchanges rather than the clients, implement a third-party vendor solution to collect DMA trade data and create compliance and risk reports with the data, review the Firm’s equity DMA procedures and ensure they are being followed, and ensure that appropriate blocks and filters have been implemented and periodically tested.”
21. The Firm did not take adequate steps to develop the appropriate systems or surveillances to detect and prevent potentially manipulative and other suspicious conduct violative of Nasdaq rules and applicable securities laws. Additionally, during the relevant period, the Firm failed to confirm that the controls that its clients agreed to implement as specified in the contracts the Firm had with its DMA clients were in fact current and functioning within acceptable parameters to detect potentially violative trading activity. The Firm was aware of this failure by March 2010 at the latest, when it stated in its March 29, 2010 Annual Compliance Report that: “Currently, the Firm does not have sufficient ongoing monitoring policies and procedures necessary to determine whether the client controls specified in the contract with the DMA client are current and functioning within acceptable parameters.” However, the Firm did not take sufficient steps to react to this red flag and correct its supervisory systems.
22. During the relevant period, the Firm failed to reasonably and effectively monitor for potential marking the close activity by its DMA and SA clients, failed to have reasonable

systems and controls, including surveillance systems, designed to detect or prevent potential marking the close activity by its DMA and SA clients, and failed to have reasonable written supervisory procedures with regard to the same. As a result, on numerous occasions between December 2008 and June 2011, one of the Firm's DMA clients placed an order in the closing cross or auction and then entered multiple smaller orders on the other side of the market, increasing in frequency as market close approached, that may have moved the price of the subject security to the advantage of the order sitting in the closing cross or auction. The Firm failed to detect and prevent this activity, even after receiving multiple regulatory inquiries about the subject trading.

23. During the relevant period, the Firm failed to reasonably and effectively monitor for potential wash trading activities (*i.e.*, trades for which there was no change in beneficial ownership) by its DMA and SA clients, failed to have reasonable systems and controls, including surveillance systems, designed to prevent potentially violative wash trading activity by its DMA and SA clients, and failed to have adequate written supervisory procedures reasonably designed to achieve compliance with the applicable Nasdaq Rules pertaining to wash sale transactions, numerous instances of which may have occurred on as many as four exchanges, including Nasdaq.
24. The Firm failed to implement a wash trading surveillance report until November 2010, almost three years after the Firm's inception, notwithstanding numerous requests from its own compliance department to implement a wash trade surveillance report. Even after implementation of a Firm wash trade surveillance report, however, the Firm failed to adequately review the surveillance report throughout the remainder of the relevant period.
25. During the relevant period, the Firm failed to reasonably and effectively monitor for excessive repetitive order entry by its DMA and SA clients, failed to have reasonable systems and controls, including surveillance systems, designed to detect or prevent excessive repetitive order entry by its DMA and SA clients, and failed to have written supervisory procedures reasonably designed to achieve compliance with the applicable Nasdaq Rules pertaining to excessive repetitive order entry.

#### Conclusion

26. For the reasons set forth above, the Firm failed to adequately supervise DMA and SA trading in violation of Nasdaq Rules 3010(a) and (b) and Nasdaq Rule 2110 during the aforementioned relevant time period .

#### **Failure to Maintain Books and Records**

27. During the relevant period, Section 17(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 17a-3 promulgated thereunder required the Firm to make and keep current a memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted, and various other documents related to its business. Rule 17a-4 required the Firm to maintain the documents listed in Rule 17a-3 for a period of three years, the first two of which in an accessible place.

28. During the relevant period, Nasdaq Rule 3110 required firms to make, keep current, and preserve books and records as prescribed by the Exchange Act.
29. During the relevant period, the Firm did not receive order data (including drop copies of equities orders entered by its SA clients) from certain SA clients, many of which had master accounts that were associated with sub-accounts, so trading could have originated from a number of different accounts not specified in the Firm's books and records. The Firm also failed to preserve certain order and trade data from a particular order management system. Additionally, Newedge failed to keep accurate records as to which entities it granted DMA or SA, and to which exchanges the Firm had granted access. Because the Firm failed to obtain certain order data from SA clients and failed to retain certain order and execution data from DMA and SA clients, the few reviews completed by the Firm were based on inadequate and incomplete information.
30. During the relevant period, the Firm failed to retain certain information on email correspondence, including "bcc" information and attachments to certain emails. Additionally, the Firm failed to retain certain text messages.
31. The Firm failed to obtain or retain certain required documentation related to DMA and SA clients, such as account documents and client agreements, during the relevant period.
32. For the reasons set forth above, Newedge failed to make, keep current, and retain records in violation of Section 17(a) of the Exchange Act, Rules 17a-3 and 17a-4 promulgated thereunder, and Nasdaq Rules 2110 and 3110.

## VIOLATIONS

As a result of the foregoing, Newedge:

- Violated Nasdaq Rules 3010(a) and (b) by failing to reasonably supervise the activities of its associated persons, Direct Market Access ("DMA") and Sponsored Access ("SA") customer activity and the operation of its DMA and SA business, in that the Firm failed to establish, maintain and implement adequate supervisory systems and procedures, including written supervisory procedures, reasonably designed to achieve compliance with applicable securities laws and regulations, including Nasdaq Rules, addressing the detection and prevention of potentially manipulative and suspicious trading activity during the period between approximately January 2008 through December 2011;
- Violated Section 17(a) of the Exchange Act, SEC Rules 17a-3 and 17a-4 promulgated thereunder, and Nasdaq Rule 3110 by failing to make, keep current, and retain memoranda of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted, and various other documents related to its business; and
- Violated Nasdaq Rule 2110 by, in the conduct of its business, failing to observe high standards of commercial honor and just and equitable principles of trade.

- B. The firm also consents to the imposition of the following sanctions:
1. A censure;
  2. A fine in the amount of \$9,500,000, to be paid jointly to The Nasdaq Stock Market LLC, New York Stock Exchange LLC, NYSE Arca, Inc., BATS Exchange, Inc., and FINRA, of which \$1,750,000 of that total amount shall be paid to The NASDAQ Stock Market LLC.
  3. Newedge shall further undertake to:
    - a. Retain, within 60 days of the date of the Notice of Acceptance of this AWC, an Independent Consultant, not unacceptable to FINRA staff, to conduct a comprehensive review of the adequacy of the Firm's<sup>7</sup> policies, systems and procedures (written and otherwise) and training relating to the specific areas described above and/or listed below, (the "Review") to ensure:
      - i. That the Firm is in compliance with the Sponsored Access or Direct Market Access Rules of all Exchanges and Alternative Trading Systems to which the Firm grants clients market access with respect to its equities business (*i.e.*, stock, equity options and exchange-traded funds);
      - ii. That the Firm is in compliance with Exchange Act Rule 15c3-5; and
      - iii. That the Firm adequately supervises trading on both option and equities exchanges by its DMA and SA clients.
    - b. Exclusively bear all costs, including compensation and expenses, associated with the retention of the Independent Consultant;
    - c. Cooperate with the Independent Consultant in all respects, including by providing staff support. Newedge shall place no restrictions on the Independent Consultant's communications with FINRA staff and, upon request, shall make available to FINRA staff any and all communications between the Independent Consultant and the Firm, and documents reviewed by the Independent Consultant in connection with his or her engagement. Once retained, Newedge shall not terminate the relationship with the Independent Consultant without FINRA staff's written approval; Newedge shall not be in and shall not have an attorney-client relationship with the Independent Consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the Independent Consultant from transmitting any information, reports or documents to FINRA;

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<sup>7</sup> The requirements of this undertaking shall also apply to any successor or affiliated entities of Newedge which undertake to perform or perform, in lieu of or in addition to Newedge, any of the functions or responsibilities described herein.

- d. At the conclusion of the review, which shall be no more than 100 days after the retention of the Independent Consultant, the Independent Consultant shall submit to the Firm and FINRA staff a Consultant's Report. The Consultant's Report shall address, at a minimum, (i) the adequacy of the Firm's policies, systems, procedures, and training relating to sponsored access, direct market access, SEC Rule 15c3-5, and books and records retention, (ii) a description of the review performed and the conclusions reached, and (iii) the Independent Consultant's recommendations for modifications and additions to the Firm's policies, systems, procedures and training, if any;
- e. Require the Independent Consultant to enter into a written agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any other employment, consultant, attorney-client, auditing or other professional relationship with Newedge, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any firm with which the Independent Consultant is affiliated in performing his or her duties pursuant to this AWC shall not, without prior written consent of FINRA staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Newedge or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement;
- f. Within 90 days after delivery of the Consultant's Report, Newedge shall adopt and implement the recommendations of the Independent Consultant or, if it determines that a recommendation is unduly burdensome or impractical, propose an alternative procedure to the Independent Consultant designed to achieve the same objective. The Firm shall submit such proposed alternatives in writing simultaneously to the Independent Consultant and FINRA staff. Within 30 days of receipt of any proposed alternative procedure, the Independent Consultant shall: (i) reasonably evaluate the alternative procedure and determine whether it will achieve the same objective as the Independent Consultant's original recommendation; and (ii) provide the Firm with a written decision reflecting his or her determination. The Firm will abide by the Independent Consultant's ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the Independent Consultant;
- g. Within 30 days after the issuance of the later of the Independent Consultant's Initial Report or written determination regarding alternative procedures (if any), Newedge shall provide FINRA staff with a written implementation report, certified by an officer of Newedge, attesting to, containing documentation of, and setting forth the details of the Firm's implementation of the Independent Consultant's recommendations; and

- h. Newedge shall further retain the Independent Consultant to conduct a follow up review and submit a written Final Report to the Firm and to FINRA staff no later than one year from the date of the Notice of Acceptance of this AWC. In the Final Report, the Independent Consultant shall address the Firm's implementation of the systems, policies, procedures, and training and make any further recommendation he or she deems necessary. Within 30 days of receipt of the Independent Consultant's Final Report, Newedge shall adopt and implement recommendations contained in the Final Report.
4. Newedge shall be restricted from accepting any new sponsored access or direct market access equities clients until such time as the Independent Consultant provides FINRA staff with a written determination that there are no material issues related to the scope of the terms of this undertaking or the findings described herein that should prohibit the Firm from accepting new sponsored access or direct market access equities clients.
5. Upon written request showing good cause, FINRA staff may extend any of the procedural dates set forth above.

The Firm 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.

The Firm 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

The Firm specifically and voluntarily waives the following rights granted under Nasdaq's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- 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 Nasdaq Review Council 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 prejudice of the Chief Regulatory Officer (“CRO”), the Nasdaq Review Council, or any member of the Nasdaq Review Council, in connection with their 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 Nasdaq Rule 9143 or the separation of functions prohibitions of Nasdaq 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 FINRA’s Department of Market Regulation and the Nasdaq Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs (“ODA”), pursuant to Nasdaq 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 Nasdaq or any other regulator against the Firm;
  - 2. this AWC will be made available through FINRA’s public disclosure program in response to public inquiries about the Firm’s disciplinary record;
  - 3. Nasdaq may make a public announcement concerning this agreement and the subject matter thereof in accordance with Nasdaq Rule 8310 and IM-8310-3; 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 Nasdaq, or to which Nasdaq is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's right to take legal or factual positions in litigation or other legal proceedings in which Nasdaq 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 Nasdaq, nor does it reflect the views of Nasdaq 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.

06/21/13  
Date

Respondent  
Newedge USA, LLC

By: 

Name: Antoine Sabule

Title: CEO

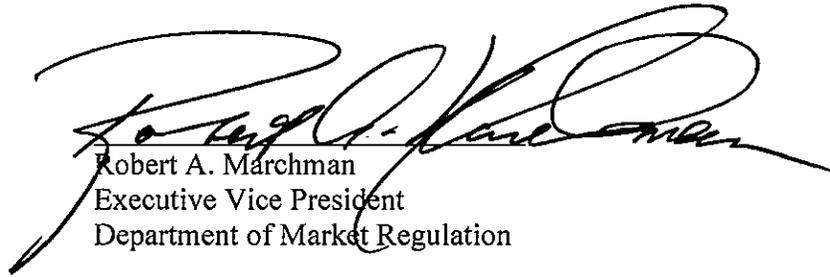
Reviewed by:

  
Stephen L. Ratner, Esq.  
Proskauer Rose LLP  
Eleven Times Square  
New York, NY 10036

*Counsel for Newedge USA, LLC*

Accepted by Nasdaq:

07/10/13  
Date



Robert A. Marchman  
Executive Vice President  
Department of Market Regulation

Signed on behalf of Nasdaq, by delegated  
Authority from the Director of ODA

**ELECTION OF PAYMENT FORM**

The firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A firm check or bank check for the full amount;
- Wire transfer.

Respectfully submitted,  
Respondent  
Newedge USA, LLC

06/21/13  
Date

By:   
Name: Antoine Babule  
Title: CEO