

**THE NASDAQ OPTIONS MARKET  
NOTICE OF ACCEPTANCE OF AWC**

**Certified, Return Receipt Requested**

**TO: Newedge USA, LLC  
Richard Schell  
Chief Compliance Officer  
550 W. Jackson  
Suite 500  
Chicago, IL 60661**

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

**DATE: March 18, 2011**

**RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20080144546-01**

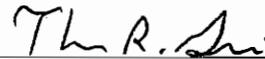
**Please be advised** that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted by the Nasdaq Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Nasdaq Review Council, pursuant to Nasdaq Rule 9216. A copy of the AWC is enclosed 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 will be notified by the Registration and Disclosure Department regarding sanctions, and NASDAQ's Finance Department will send you an invoice regarding the payment of any fine.

Newedge USA, LLC  
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If you have any questions concerning this matter, please call Theresa Clarkson, Counsel,  
at (212) 858-4326.



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Thomas R. Gira  
Executive Vice President  
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

Steven Jones  
Associate Director  
Securities Compliance  
Newedge USA, LLC  
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San Francisco, CA 94104

Michelle MacDougall  
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630 Fifth Avenue, Suite 500  
New York, NY 10111

Edward S. Knight, Chief Regulatory Officer  
The NASDAQ Stock Market LLC  
9600 Blackwell Road  
Rockville, MD 20850

**THE NASDAQ OPTIONS MARKET  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 20080144546-01**

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

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

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC ("Nasdaq")<sup>1</sup> Code of Procedure, Newedge USA, LLC (the "Firm" or "Newedge") 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.

**L**

**ACCEPTANCE AND CONSENT**

- A. Newedge 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**

Newedge has been a member of FINRA since March 28, 1996, and its registration remains in effect. The Firm was approved for The NASDAQ Options Market, LLC ("NOM") membership on March 12, 2008, and its registration remains in effect.

**RELEVANT DISCIPLINARY HISTORY**

Newedge has no relevant disciplinary history.

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<sup>1</sup> All NASDAQ Options Market disciplinary matters are governed by The Nasdaq Code of Procedure.

## SUMMARY

In connection with matter 20080144546, the staff of the Department of Market Regulation of FINRA (“the staff”) conducted a review of Newedge’s options positions required to be reported to the Securities Industry Automation Corporation (“SIAC”) for inclusion on the Large Option Position Report (“LOPR”) during the period between March 31, 2008 and June 30, 2008 (“review period one”) for compliance with the rules and regulations relating to position limits.

In connection with matter 20090189141, the staff conducted a review of Newedge’s options positions required to be reported to SIAC for inclusion on the LOPR during the period between April 1, 2009 and June 30, 2009 (“review period two”) for compliance with the rules and regulations relating to position limits.

## FACTS AND VIOLATIVE CONDUCT

1. During review period one, Newedge, on a total of nine occasions, either failed to report options positions to LOPR or failed to accurately report the effective date for options positions to LOPR.
2. During review period two, Newedge, on a total of four occasions, either failed to report options positions correctly to LOPR or failed to accurately report the effective date for options positions to LOPR.
3. The conduct described in paragraphs one and two constitutes separate and distinct violations of Chapter III, Section 10 of the NOM Rules.
4. During review period one, Newedge failed to ensure that it had adequate arrangements and systems in connection with business conducted on NOM that provided for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of Nasdaq, concerning LOPR reporting. The conduct described in this paragraph constitutes a violation of Chapter III, Section 2(a)(i) of the NOM Rules.
5. During review period one, Newedge’s supervisory system did not include adequate written supervisory procedures regarding reporting to LOPR that provided for: (i) specific identification of the individual(s) responsible for supervision; (ii) the supervisory steps and reviews to be taken by the appropriate supervisor; (iii) the frequency of such reviews; and, (iv) how such reviews shall be documented. Additionally during review period one and two, Newedge’s written supervisory procedures contained an erroneous statement regarding the netting of position limits. The conduct described in this paragraph constitutes a violation of Nasdaq Exchange Rules 2110 and 3010(a).

B. The Firm also consents to the imposition of the following sanctions:

**A censure and a fine of \$15,000 (consisting of a \$7,500 fine for LOPR violations and a \$7,500 fine for supervision violations).**

Newedge agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Newedge has submitted an Election of Payment form showing the method by which they propose to pay the fine imposed.

Newedge specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

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

## II.

### WAIVER OF PROCEDURAL RIGHTS

Newedge 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Newedge specifically and voluntarily waives any right to claim bias or prejudice of the Chief Regulatory Officer, the Nasdaq Review Council, or any member of the Nasdaq Review Council, 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.

Newedge 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.

### 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 Newedge; and
- C. If accepted:
  - 1. This AWC will become part of Newedge'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 Nasdaq's public disclosure program in response to public inquiries about Newedge'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. Newedge 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 Newedge's right to take legal or factual positions in litigation or other legal proceedings in which Nasdaq is not a party.
- D. Newedge may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Newedge 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 Newedge, 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 Newedge to submit it.

2/2/11  
Date

Respondent  
Newedge USA, LLC

By: [Signature]

Name: RICHARD SCHELL

Title: CEO

Reviewed by:

Michelle MacDongall, Head of Legal, Americas  
Attorney Name  
Counsel for Respondent

Firm Name: Newedge USA, LLC

Address: 630 Fifth Avenue, Suite 500, NY, NY 10111

Telephone No.: 646.557.8466

Accepted by Nasdaq:

3/18/11  
Date

[Signature]  
Thomas R. Gira  
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 Respondent 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; or
- Wire transfer.

Respectfully submitted,  
Respondent  
Newedge USA, LLC

2/2/11  
Date

By: 

Name: RICHARD SCHELL

Title: CEO