

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

Certified, Return Receipt Requested

**TO: Cowen and Company
John Fiorello
Chief Compliance Officer
1221 Avenue of the Americas
New York, NY 10020**

**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: August 25, 2010

RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20070102463-02

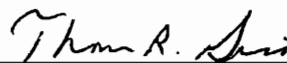
Please be advised that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted by the Nasdaq Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Nasdaq Review Council, pursuant to NASDAQ Rule 9216. A copy of the AWC is enclosed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

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Cowen and Company

If you have any questions concerning this matter, please call Darlene Brown, Counsel, (240) 386-4836.



Thomas R. Gira
Executive Vice President
Department of Market Regulation, FINRA

Signed on behalf of NASDAQ

Enclosure

cc: FINRA District 10 – New York
Hans L. Reich, Regional Director
165 Broadway
52nd Floor
New York, NY 10006-1400

THE NASDAQ STOCK MARKET LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070102463-01

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

RE: Cowen and Company, Respondent
Broker-Dealer
CRD No. 7616

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC ("Nasdaq") Code of Procedure, Cowen and Company (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

The firm has been a member of FINRA since May 23, 1978, and a member of Nasdaq since July 12, 2006, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In connection with matter no. 20070102463, the Trading and Market Making Surveillance ("TMMS") staff reviewed the trading activity of the firm set forth in Exhibit A for trade dates August 2, 2007 and August 3, 2007 (the "2007 TMMS review period"), unless otherwise noted.

In connection with matter no. 20080141313, the TMMS staff reviewed the trading activity of the firm set forth in Exhibit B for trade dates September 22, 2008 and September 23, 2008 (the "2008 TMMS review period"), unless otherwise noted.

FACTS AND VIOLATIVE CONDUCT

In connection with matter no. 20070102463,

1. During the 2007 TMMS review period, the firm entered 16 orders into the Nasdaq Market Center that failed to correctly indicate whether the orders were a buy, short sale or long sale. The conduct described in this paragraph constitutes separate and distinct violations of Nasdaq Rule 4755.

In connection with matter no. 20080141313,

2. During the 2008 TMMS review period, the firm entered nine orders into the Nasdaq Market Center that failed to correctly indicate whether the orders were a buy, short sale or long sale. The conduct described in this paragraph constitutes separate and distinct violations of Nasdaq Rule 4755.

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

A censure and a fine of \$10,000

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 prejudgment 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.

The firm 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 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 Nasdaq'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 firm 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; 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.

6/8/2010
Date

Cowen and Company
Respondent

By: 
Name: John Fiorello
Title: Chief Compliance Officer

Reviewed by:

Counsel for Respondent

Accepted by Nasdaq:

8/24/10
Date

Thomas R. Gira
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 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;
- Credit card authorization for the full amount;¹ or
- The installment payment plan (only if approved by FINRA staff and the Nasdaq Review Council).²

Respectfully submitted,

6/8/2010
Date

Respondent
Cowen and Company

By: 

Name: John Fiorella

Title: Chief Compliance Officer

¹ Only Mastercard, Visa and American Express are accepted for payment by credit card. If this option is chosen, the appropriate forms will be mailed to you, with an invoice, by NASDAQ's Finance Department. Do not include your credit card number on this form.

² The installment payment plan is only available for fines of \$5,000 or more. Certain interest payments, minimum initial and monthly payments, and other requirements apply. You must discuss these terms with FINRA staff prior to requesting this method of payment.

**2007 MRE Exam Samples
Cowen and Company ("COWN")
Exam No.: 200700102463**

<u>Sample Size:</u>	<u>Sample Description:</u>	<u>Sample Source/Period:</u>
45	Customer and proprietary sales, reviewed for compliance with SEC Rule 200(g) long/short/exempt sale recording requirements.	From trade dates August 2 and 3, 2007.
2	Customer and proprietary short sales, reviewed for compliance with SEC Rule 203(b) security location requirements.	From trade dates August 2 and 3, 2007.
50	Customer and proprietary sales reported to a TRF or OTCRF, for compliance with NASD Rules 6130, 4632 and 6620 sale indicator reporting requirements.	From trade dates August 2 and 3, 2007.
0	Customer and proprietary sales reported to the ADF/TRACS, for compliance with NASD Rule 4632A sale indicator reporting requirements.	From trade dates August 2 and 3, 2007.
55	Customer and proprietary sales entered into the Nasdaq Exchange execution systems, for compliance with Nasdaq Rule 4755 long/short/exempt sale indicator entry requirements.	From trade dates August 2 and 3, 2007.
39	Cancellations of trades reported to a TRF or OTCRF, for compliance with NASD Rules 4632(g), 6420(f), 6620(f) and 6130(f) trade report cancellation requirements.	From trade dates August 2 and 3, 2007.
8	Limit and market orders executed as principal, for compliance with the order protection and best execution requirements of NASD Rules 2110, IM-2110-2, 2111, 6541 and 2320, and Nasdaq Rules 2110, IM-2110-2, 2111 and 2320	From trade dates August 2 and 3, 2007.
0	Limit orders for NMS stocks in which the member acts as an exchange or OTC market maker, for compliance with the display requirements of SEC Rule 604, 604 and Nasdaq Rule 3390.	From trade dates August 2 and 3, 2007.

**2007 MRE Exam Samples
Cowen and Company ("COWN")
Exam No.: 200700102463**

<u>Sample Size:</u>	<u>Sample Description:</u>	<u>Sample Source/Period:</u>
10	Market orders with "not held" terms or from institutional customers, for compliance with NASD Rule 2320 and Nasdaq Rule 2320 best execution requirements.	From trade dates August 2 and 3, 2007.
0	Market orders executed as principal, for compliance with NASD Rule 2320 and Nasdaq Rule 2320 best execution requirements.	From trade dates August 2 and 3, 2007.
0	Order memoranda for net trades effected by non-institutional and institutional customers, for compliance with NASD Rule 2441 documentation requirements.	From trade dates August 2 and 3, 2007.
0	Net trading agreements with institutional customers, for compliance with NASD Rule 2441 documentation requirements.	From trade dates August 2 and 3, 2007.
879	Principal and riskless principal trade executions effected otherwise than on an exchange for limit or market orders, for compliance with NASD Rules 4632, 6420, 6620 and 6130 requirements for TRF and OTCRF reporting.	From trade dates August 2 and 3, 2007.
0	Principal and riskless principal trade executions effected otherwise than on an exchange for limit or market orders, for compliance with NASD Rule 4632A requirements for ADF/TRACS reporting.	From trade dates August 2 and 3, 2007.
0	FINRA Market Surveillance breaks for principal and riskless principal trades, for compliance with NASD Rules 4632, 6420, 6620, 6130 and 4632A requirements for TRF, OTCRF and ADF/TRACS reporting.	From trade dates August 2 and 3, 2007.

**2007 MRE Exam Samples
Cowen and Company ("COWN")
Exam No.: 200700102463**

<u>Sample Size:</u>	<u>Sample Description:</u>	<u>Sample Source/Period:</u>
15	Trade executions effected otherwise than on an exchange for 5 orders in Nasdaq-listed or exchange listed securities, received from customers with accounts subject to a soft dollar agreement, for compliance with the SEC '34 Act section 28(e) safe harbor which limits the accrual of soft dollar credits for riskless principal transactions to those reporting in compliance with NASD Rules 4632 and 6420.	From trade dates August 2 and 3, 2007.
0	Open limit orders to buy and/or open stop orders to sell securities that traded ex-dividend, for compliance with NASD Rule 3220 and Nasdaq Rule 4761.	For ex-dividend dates August 2 and 3, 2007.
0	Trades reported to a TRF or OTCRF with a .PRP modifier, for compliance with NASD Rules 4632, 6420, 6620 and 2320.	From trade dates August 2 and 3, 2007.
20	Orders for NMS stocks in which the firm acts as a market center, for compliance with SEC Rule 605 order classification requirements.	From trade dates August 2 and 3, 2007.
4 (8 orders)	Datasets published for on the monthly order execution report, for compliance with SEC Rule 605 requirement to publish accurate data. (A "dataset" is all required statistical data for a single order category, with each category representing a single unique combination of a security, order type and order size, as described in Rule 605.)	Firm's monthly order execution report from June 2007.
N/A	Quarterly order routing report, for compliance with SEC Rule 606 requirements.	Report published for the period of April through June 2007.
1	Customer orders in OTC equity securities, for compliance with NASD Rules 2320(g) and 3110(b) requirements to ascertain and document the best interdealer market for transactions in such securities.	From trade dates August 2 and 3, 2007.

**2007 MRE Exam Samples
Cowen and Company ("COWN")
Exam No.: 200700102463**

<u>Sample Size:</u>	<u>Sample Description:</u>	<u>Sample Source/Period:</u>
75	Orders in securities required to be submitted to OATS, for compliance with NASD Rules 6954 and 6955, and Nasdaq Rules 6954 and 6955 requirement to submit OATS information.	From trade dates August 2 and 3, 2007.
164	Order/Trade records prepared and maintained in connection with the above samples, for general compliance with requirements of NASD Rule 3110 and SEC Rules 17a-3 and 17a-4.	From various trade dates in June and August 2007.
2,021	Trades reported to a TRF, OTCRF or ADF/TRACS in connection with the above samples, for general compliance with requirements of NASD Trade Reporting and ADF rules.	From trade dates August 2 and 3, 2007.
34	Customer confirmations prepared and maintained in connection with the above samples, for compliance with SEC Rule 10b-10 disclosure requirements.	From trade dates August 2 and 3, 2007.
16	CRD registration records for persons conducting and/or supervising the member's trading and market making activities, for compliance with NASD Rule Series 1020, 1030 and 1040, and Nasdaq Rule Series 1020, 1030 and 1040.	List of trading personnel for August 2007.
All, as provided by the member	The member's supervisory system, written supervisory procedures ("WSPs") and documents evidencing the implementation of the WSPs, for compliance with NASD Rule 3010 requirements to establish an implement a system that is reasonably designed to prevent and detect violations of applicable securities rules.	WSPs provided by the member as those in effect during August 2007, and documentation of supervisory reviews conducted for August 2007.
N/A	The member's "Regular & Rigorous" review procedures (for assessing the execution quality of orders sent to other trading centers and/or internalized, for compliance with NASD Rules 2320 and 3010.	Procedures provided by the member as those in effect during August 2007.

2008 MRE Exam Samples
Cowen and Company ("COWN")
Exam No.: 20080141313
Sample Source/Period*: September 22-23, 2008

<u>Sample Size</u>	<u>Sample Description</u>
36	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements
9	Short Sales reviewed for compliance with SEC Rule 203(b) security location requirements
419	Trades reported to a TRF or OTCTRF for compliance with NASD Rule 6130 <ul style="list-style-type: none"> <u>419</u> for general trade reporting requirements <u>38</u> for Cancellation of reported trade requirements <u>419</u> for Principal, Riskless Principal, or Agency executions effected otherwise than on an exchange <ul style="list-style-type: none"> <u>0</u> for compliance with the use of the .PRP (Prior Reference Price) trade modifier <u>20</u> for compliance with the requirements of odd-lot trade reporting <u>0</u> for compliance with the use of the .RA trade modifier (prices away from the market) <u>0</u> for compliance with the use of the .RX trade modifier (exercise OTC options contract) <u>50</u> for compliance with SEC '34 Act Section 28(e) guidelines relating to Soft Dollar Agreements <u>2</u> for Sale Indicator requirements
2	Disclosures to customers relating to trading in the Extended Hours session for compliance with Nasdaq Rule 4631
18	Orders entered into Nasdaq Exchange execution systems for compliance with Nasdaq Rules 4755 and 2110
0	Limit orders for NMS securities in which the member acts as an exchange market maker for compliance with the display requirements of SEC Rules 602 and 604 and Nasdaq Rule 3390
14	Orders for compliance with best execution requirements of NASD Rule 2320 <ul style="list-style-type: none"> <u>0</u> Orders executed as principal for compliance NASD Rule 2320 and with the order protection requirements of NASD Rules 2110, IM-2110-2, 2111, 6541 and Nasdaq Rules 2110, IM-2110-2, and 2111 <u>10</u> 'Not Held' orders for compliance with NASD Rule 2320 and Nasdaq Rule 2320 best execution requirements <u>4</u> Customer orders in OTC equity securities for compliance with NASD Rules 2320 and 3110(b) requirements to ascertain and document best interdealer market related to execution of orders
0	Open Limit orders to buy and/or open Stop orders to sell securities that traded ex-dividend for compliance with NASD Rule 3220 and Nasdaq Rule 4761
0	Order memoranda and Net Trading agreements for compliance with NASD Rule 2441 requirements
52	Orders in securities required to be submitted to OATS for compliance with NASD Rules 6954 and 6955 and Nasdaq Rules 6954 and 6955 requirements
51	Customer confirmations prepared and maintained in connection with select samples <ul style="list-style-type: none"> 51 for compliance with SEC Rule 10b-10 disclosure requirements 1 for compliance with SEC '34 Act Section 28(e) guidelines relating to Soft Dollar Agreements

2008 MRE Exam Samples
Cowen and Company ("COWN")
Exam No.: 20080141313
Sample Source/Period*: September 22-23, 2008

<u>Sample Size</u>	<u>Sample Description</u>
25	Orders for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements
4	Data sets published for <July 2008> monthly order execution report for compliance with SEC Rule 605 requirement to publish accurate data (a 'data set' encompasses all required statistical data for single security and order type/size category as described in SEC Rule 605)
27	Orders underlying data sets reviewed for <July 2008> for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements
4th Quarter 2008	Quarterly Routing Report for compliance with SEC Rule 606 requirements
25	CRD registration records for persons conducting and/or supervising Firm's trading and/or market making activities for compliance with NASD Rule Series 1020, 1030, 1040 and Nasdaq Rule Series 1020, 1030, 1040
All Provided	Member's "Regular & Rigorous" review procedures regarding order execution quality for compliance with NASD Rules 2320 and 3010
All Provided	Member's supervisory system, written supervisory procedures ("WSPs") and documentation evidencing execution of the WSPs for compliance with NASD Rule 3010 requirements
All Provided	Member's supervisory and operational policies and procedures and documentation evidencing execution of the policies and procedures for compliance with SEC Regulation NMS Rules 610, 611, and 612
155	Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4 and NASD Rule 3110