



JOHN MORGAN
SECURITIES COMMISSIONER

RONAK V. PATEL
DEPUTY SECURITIES COMMISSIONER

Mail: P.O. BOX 13167
AUSTIN, TEXAS 78711-3167

Phone: (512) 305-8300
Facsimile: (512) 305-8310

Texas State Securities Board

208 E. 10th Street, 5th Floor
Austin, Texas 78701-2407
www.ssb.texas.gov

BETH ANN BLACKWOOD
CHAIR

E. WALLY KINNEY
MEMBER

DAVID A. APPLEBY
MEMBER

ALAN WALDROP
MEMBER

MIGUEL ROMANO, JR.
MEMBER

IN THE MATTER OF
THE DEALER REGISTRATION OF
SCOTTRADE, INC.

§
§
§

Order No. IC16-CAF-04

TO: Ryan T. Barke, AVP, Associate GC
Scottrade, Inc. (CRD #8206)
700 Maryville Centre Drive
St. Louis, MO 63141-5824

DISCIPLINARY ORDER

Be it remembered that Scottrade, Inc. ("Respondent") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") and the Findings of Fact and Conclusions of Law contained herein.

FINDINGS OF FACT

1. Respondent has waived (a) Respondent's rights to notice and hearing in this matter; (b) Respondent's rights to appear and present evidence in this matter; (c) Respondent's rights to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-43 (West 2010 & Supp. 2015)("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001 to 2001.902 (West 2010 & Supp. 2015)("Administrative Procedure Act").
2. On May 23, 1989, Respondent registered with the Securities Commissioner as a dealer. This registration is currently effective.
3. In April 2014, the staff of the Texas State Securities Board (the "Staff") initiated an investigation into Respondent's written supervisory procedures regarding third-party wire transfers for clients of independent investment advisers utilizing the Firm's institutional platform from January 2011 through July 2015 (the "Investigation Period").

4. In June 2015 Respondent submitted to the Financial Industry Regulatory Authority ("FINRA") a Letter of Acceptance, Waiver and Consent ("AWC"), No. 2013035000501, in connection with Respondent's supervision of third-party wire transfers and agreed to pay a fine to FINRA.
5. Respondent provides brokerage and custody services to self-directed retail customers and to customers receiving investment advisory services from independent investment advisers through the Scottrade Advisory Services platform.
6. The retail customers and the customers utilizing independent investment advisers use the Respondent's platform to wire transfer funds from customer accounts.
7. Respondent's retail customers and customers utilizing independent investment advisers request wire transfers by submitting a Letter of Authorization ("LOA") to Respondent. The LOA lists the customer's account information, the recipient's financial institution information, and the amount of the wire transfer.
8. Respondent's retail customers and customers utilizing independent investment advisers must sign the LOA.

Third-Party Wire Transfers

9. From at least July 2012 to the present, Respondent's written supervisory procedures relating to the processing of third-party wire transfer requests have required Respondent to review the LOA for completeness and accuracy, ensure that customer funds are available for payout, verify the customer's signature, and confirm that Respondent's Fraud and Loss department reviewed the applicable requests.
10. At all relevant times, broker-dealers such as Respondent were subject to securities regulations requiring firms to establish procedures designed to review and monitor the transmittal of customer funds by wire to third-party accounts.
11. Further, from January 2011 to October 2013, Respondent did not provide customers with a contemporaneous notification that customer funds had been transferred via wire from the customer's account to a third-party.
12. During the Investigation Period, Respondent received one reported instance of fraud related to the processing of third-party wire transfers from a Texas resident's account. Respondent and the Texas customer resolved the matter after Scottrade detected the fraud.
13. In October 2013, Respondent implemented an automated procedure whereby customers are provided with a contemporaneous notification when customer funds are transferred via wire from the customer's account to a third-party.

CONCLUSIONS OF LAW

1. From January 2011 to October 2013, Respondent's written supervisory procedures were not reasonably designed to achieve compliance with applicable securities laws because Respondent's procedures did not require that a contemporaneous confirmation notice be sent to the customer after funds were transferred from the customer's account to the account of a third-party.
2. Respondent's failure to establish written supervisory procedures reasonably designed to achieve compliance with applicable securities laws in connection with the wire transfer of funds to the account of a third-party is a violation of §115.10(b)(1) of the Rules and Regulations of the Texas State Securities Board ("Board Rules").

3. Respondent's violation of a Board Rule provides a basis for the issuance of an Order reprimanding Respondent pursuant to Section 14.A(6) of the Texas Securities Act.
4. Respondent's violation of a Board Rule also provides a basis for the assessment of an administrative fine against Respondent pursuant to Section 23-1 of the Texas Securities Act.

ORDER


1. It is therefore ORDERED that Scottrade, Inc. is hereby REPRIMANDED.
2. It is further ORDERED that Scottrade, Inc. shall pay an ADMINISTRATIVE FINE in the amount of Fifty Thousand Dollars (\$50,000.00) to the general fund of the State of Texas within ten (10) days of the entry of this Order.
3. Respondent further agrees to contribute Fifty Thousand Dollars (\$50,000.00) within ten (10) days of the entry of this Order to be used for investor education efforts in Texas to the Investor Education Fund of the Investor Protection Trust, 1020 Nineteenth Street NW, Suite 890, Washington, D.C., 20036-6123.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 7th day
of March, 2016.



JOHN MORGAN
Securities Commissioner

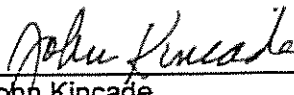
Respondent:

Scottrade, Inc.


By: Ryan T. Barke
AVP, Associate General Counsel

Approved as to Form:


Ronak V. Patel
Deputy Securities Commissioner


John Kincade
Winstead PC

ACKNOWLEDGMENT

On the 4th day of MARCH, 2016, Scottrade, Inc. ("Respondent"), by and through Ryan T. Barke, appeared before me, executed the foregoing Order, and acknowledged that:

1. Ryan T. Barke is duly authorized to enter into the foregoing Order on behalf of Respondent;
2. Ryan T. Barke has read the foregoing Order;
3. Respondent has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and
5. Respondent, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.



Krista M Kirk

Notary Public in and for
the State of Missouri
My commission expires on: 1/28/20