

EDGA EXCHANGE, INC.
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. _____

TO: EDGA Exchange, Inc.
c/o Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: Electronic Transaction Clearing, Inc., Respondent
Broker-Dealer
CRD No. 146122

Pursuant to Rule 8.3 of the Rules of EDGA Exchange, Inc. ("EDGA"), Electronic Transaction Clearing, Inc. (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, EDGA 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 EDGA, or to which EDGA 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 EDGA:

BACKGROUND

The firm became a member of FINRA in 2009 and a member of EDGA in 2010, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

This matter is the result of the Department of Market Regulation's 2011 Trading and Market Making Surveillance ("TMMS") Examination of the firm in review number 20110261576. The on-site portion of the examination took place on August 8-11, 2011, during which time TMMS reviewed activity on trade date July 6, 2011 (the "review period"). Attached as Exhibit 1 is a list of the items the TMMS staff reviewed during the on-site examination for the review period.

FACTS AND VIOLATIVE CONDUCT

1. During the review period, the firm entered 12 orders into the EDGA Market Center that failed to correctly indicate whether the orders were a short sale or long sale. The conduct described in this paragraph constitutes separate and distinct violations of EDGA Rule 11.15.
2. During the review period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to EDGA Rule 11.15. Specifically, the firm's supervisory system did not include written supervisory procedures providing for a statement of the supervisory steps to be taken by the person(s) responsible for supervision. The conduct described in this paragraph constitutes a violation of EDGA Rule 5.1.

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

A censure; a \$12,500 fine (consisting of \$7,500 for violations of EDGA Rule 11.15; and \$5,000 for the supervisory violation); and an undertaking to revise the firm's written supervisory procedures with respect to the area described in paragraph I.A.2 above. Within 30 business days of acceptance of this AWC by the Chief Regulatory Officer ("CRO"), a registered principal of the firm shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, 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 deficiency described in paragraph I.A.2; and, (3) the date the revised procedures were implemented.

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 EDGA.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under EDGA Rules:

- A. To have a Statement of Charges issued specifying the allegations against the firm;
- B. To be notified of the Statement of Charges 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 Appeals Committee of EDGA's Board of Directors 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 CRO, in connection with his or her 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 EDGA Rule 8.16, 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 the CRO, pursuant to EDGA Rule 8.3;
- 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 EDGA or any other regulator against the firm;
 - 2. this AWC will be published on a website maintained by EDGA in accordance with EDGA Rule 8.11, *Interpretations and Policies .01*. In addition, this AWC

will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record; and

3. 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 EDGA, or to which EDGA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which EDGA 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 EDGA, nor does it reflect the views of EDGA or its staff.

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
Electronic Transaction Clearing, Inc.

12/5/13
Date

By: [Signature]

Name: Kenn Murphy

Title: President

**2011 Market Regulation Examination Samples
Electronic Transaction Clearing, Inc. (ETCC)
Sample Source/Period*: 7/6/11**

Exhibit No. 1

<u>Sample Size</u>	<u>Sample Description</u>
129	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements
47	Short Sales reviewed for compliance with SEC Rule 203(b) security location requirements
0	Sales reviewed for compliance with SEC Rule 204 fail-to-deliver requirements
0	Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624
20	Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements
20	Buy and Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements
20	Sell orders entered into Nasdaq OMX BX execution system for compliance with Nasdaq OMX BX Rule 4755 long/short reporting requirements
20	Sell orders entered into Nasdaq OMX PSX execution system for compliance with Nasdaq OMX PSX Rule 3305 long/short reporting requirements
40	Sell orders entered into DirectEdge Exchange execution system for compliance with EDGA/EDGX Rule 11.15 long/short reporting requirements
40	Sell orders entered into NYSE Arca execution system for compliance with NYSE Arca Equity Rule 7.16 long/short reporting requirements
N/A	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
N/A	Orders for compliance with best execution requirements of NASD Rule 2320 0 Held orders from the Held Order Protection Review 0 Not Held orders from the Not Held Order Review 0 Order executed with a .PRP (Prior Reference Price) trade modifier 0 Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders
N/A	Orders for compliance with order protection requirements of NASD Rules 2110, IM-2110-2, 2111, and Nasdaq Rules 2110, IM-2110-2, and 2111
N/A	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
N/A	Order memoranda and Net Trading agreements for compliance with NASD Rule 2441 requirements
50	Orders in securities required to be submitted to OATS for compliance with FINRA Rules 7440 and 7450, and Nasdaq Rules 6954 and 6955 requirements
44	Customer confirmations prepared and maintained in connection with select samples for compliance with SEC Rule 10b-10
N/A	Orders for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements

**2011 Market Regulation Examination Samples
Electronic Transaction Clearing, Inc. (ETCC)**

Exhibit No. 1

Sample Source/Period*: 7/6/11	
N/A	Data sets published for Month Year 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)
N/A	Quarterly Routing Report for compliance with SEC Rule 606 requirements
3	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
N/A	Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders
5	Disclosures to customers relating to trading in the Extended Hours session for compliance with FINRA Rule 2265 and Nasdaq Rule 4631
173	Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110
2,808	Number of sales reviewed for accurate trading records (correctly reflect "long" or "short" sales)
0	Trades reported to a TRF or OTCRF for compliance with FINRA Rules 6380A and 7230A or 6622 and 7330
N/A	Member's "Regular & Rigorous" review procedures regarding order execution quality for compliance with NASD Rules 2320 and 3010
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 Rule 611
All Provided	Member's supervisory system, written supervisory procedures ("WSPs") and documentation evidencing execution of the WSPs for compliance with NASD Rule 3010 or Nasdaq Rule 3010 requirements
N/A	Trading Halts declared during the on-site portion of the examination for which FINRA Staff observed the operation of the ATS.
N/A	Trades reported to the ADF/TRACS for compliance with FINRA Rule 6282
N/A	ADF orders and quotes accessed by other market participants for compliance with FINRA Rule 6250 requirements to submit Order and Order Response reports