Division of Securities
Utah Department of Commerce
160 East 300 South
Box 146760
Salt Lake City, UT 84114-6760
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BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF: **E*TRADE SECURITIES LLC, CRD#29106** Respondent.	**STIPULATION AND CONSENT ORDER** Docket No. SD-12-0042

The Utah Division of Securities ("Division"), by and through its Director of Licensing and Compliance, Dave R. Hermansen, and the Respondent, E*TRADE Securities LLC ("Respondent"), hereby stipulate and agree as follows:

WHEREAS, Respondent is a broker-dealer registered in the State of Utah; and

WHEREAS, Respondent's activities regarding the sale of auction rate securities ("ARS") have been the subject of coordinated investigations conducted by a multi-state task force; and

WHEREAS, Respondent has provided documentary evidence and other materials and provided regulators with access to information relevant to their investigations; and

WHEREAS, on October 18, 2011 Respondent and the multi-state task force reached an agreement to resolve the investigations relating to Respondent's sale of auction rate securities to certain customers; and

WHEREAS, Respondent agrees, among other things, to purchase certain auction rate securities from customers and to make certain payments; and

WHEREAS, Respondent elects to waive permanently any right to a hearing and appeal under the Utah Administrative Procedures Act, Title 63G, Chapter 4 of the Utah Code, with respect to this Stipulation and Consent Order ("Order"); and

WHEREAS, Respondent admits the jurisdiction of the Division and consents to the entry of this Order by the Division; and

WHEREAS, Respondent has voluntarily agreed to purchase, or arrange to have purchased, auction rate securities from certain customers, as described in Section IV below; and

WHEREAS, Respondent neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order.

NOW, THEREFORE, the Division, as administrator of the Utah Uniform Securities Act, Title 61, Chapter 1 of the Utah Code ("Act"), hereby enters this Order:

I.

RESPONDENT

1. Respondent, CRD #29106, was, at all times material herein, a limited liability company organized under the laws of Delaware with its principal place of business in New York, New York.

II.

FINDINGS OF FACT

2. Respondent is in the business of effecting transactions in securities in Utah as a "broker-dealer" within the meaning of the Act.

3. Respondent has customers located across the United States of America, including Utah.

4. Respondent's business model centers upon customers who use the firm's website to buy and sell securities, generally known as on-line stock trading.

5. Although Respondent is an on-line trading firm, it also has about 30 branch offices across the country, at least some of which were purchased from earlier on-line trading firms.

6. Despite the focus of its business model upon on-line retail trading, Respondent maintained fewer than 20 "financial advisors" (FAs) who were authorized to provide investment advice to clients regarding ARS. The FAs are assigned to an Investment Specialist Group supervised by a branch manager. The FAs are alternatively referred to herein as investment specialists or registered representatives.

7. Respondent's FAs are permitted to recommend only those types of investments that have been previously approved by Respondent's management.

ARS

8. ARS, or auction rate securities, are fixed income long-term securities whose dividend rates are reset periodically at Dutch-style auctions that take place at set intervals, typically every 7, 28, or 35 days.

9. ARS are considered non-conventional investments (NCIs) in that they do not fall in the traditional categories of stocks, bonds, or mutual funds.

10. ARS were introduced to the market in 1984 as a way for issuing entities to diversify their investor base and in the process lower their borrowing costs. ARS essentially allowed issuers to achieve long-term financing at short-term interest rates.

11. As of the end of 2007, there were approximately $330 billion of ARS outstanding. Three categories of issuers dominated the market. Municipalities accounted for approximately half the market. Student loan trusts made up approximately 25% of the market. Closed-end mutual bond funds, seeking to leverage their portfolios by issuing preferred shares, made up approximately 20% of the market.

12. Initially, a high minimum investment precluded all but institutions from purchasing ARS. However, as the minimum investment declined to $25,000, wealthy retail investors became a significant source of demand for the product.

13. ARS are designed to trade at a set price (par value) of $25,000 per unit, but the interest rate fluctuates based upon bids made at periodic auctions. The rate that is sufficient to clear all the ARS offered for sale at any given auction is known as the "clearing rate." The clearing rate, however, cannot exceed the instrument's maximum or default interest rate (also known as the "penalty" rate), which is typically pegged to a short term index such as the LIBOR. If, at any given auction, the rate necessary to clear all shares for sale exceeds the maximum rate, then the auction "fails" and the maximum rate becomes the rate of interest the ARS earns until the next successful auction, at which time the rate is reset during the bidding process.

14. As is generally the case in the capital markets, issuers and investors are connected via intermediaries or financial institutions that serve in various capacities in the ARS marketplace. The major roles of intermediaries in the ARS market are: (1) large broker-dealers who act as ARS underwriters and often also serve as auction dealers, (2) auction agents selected by the underwriters

to collect orders and match buyers with sellers, (3) major broker-dealers who trade in ARS and act as wholesalers, and (4) downstream broker-dealers who place retail customer orders through the wholesalers trading in ARS.

15. Respondent did not perform any of the major intermediary functions identified as (1) through (3) above. Rather, from 2003 to February 2008, it acted as a downstream broker-dealer that relayed retail customer orders to Oppenheimer & Co., which was a wholesaler trading in Auction Rate Preferred Securities ("ARPS"). Oppenheimer then transmitted Respondent's customer orders to auction dealers to complete the purchase or sale.

ARPS

16. Of the types of ARS that were available from 2003 through February 2008, Respondent generally sold ARPS to its customers. ARPS are preferred stock issued by closed-end mutual funds. Because ARPS are preferred shares, they have no maturity date and there is no obligation upon the issuer to redeem shares on demand. Therefore, their period of existence is "in perpetuity."

17. Prior to February 2008 when the market for ARS (including ARPS) collapsed, ARPS were generally perceived to be a relatively safe and liquid fixed income investment. The primary benefit was a higher rate of interest than could typically be achieved by investing in Treasury bills or money market accounts. As a general rule, ARPS could be expected to pay a rate of at least 50 basis points, or one-half percent interest, in excess of what a money market account was paying at the same time.

18. ARPS were seen as a relatively safe credit risk because, by law, issuers had to maintain reserves sufficient to cover twice the amount of money outstanding in issued ARPS. If reserves fell below that amount, issuers were required by law to either increase their reserves or redeem sufficient ARPS to restore the 200% ratio. Because of these and other factors, credit rating agencies typically gave ARPS high credit ratings.

19. Respondent chose to offer for sale only those ARPS that carried an AAA credit rating, which is the highest rating awarded by the credit rating agencies.

20. Liquidity risk is different from credit risk, and an AAA credit rating does not speak to the security's liquidity risk. Liquidity means the ability to sell a security quickly at the par value. Liquidity risk, therefore, is the possibility that an ARPS cannot be sold or traded upon demand. Thus, although an ARPS might have a low credit risk because the issuer is financially sound and is

likely to continue to make the required interest payments, the ARPS might have high liquidity risk if, for whatever reason, it cannot be sold or otherwise liquidated quickly. Liquidity risk is an important feature of a security because, even if the security has good credit risk, it may have little value to an investor if the investor cannot sell it when necessary.

Respondent's Sale of ARPS

21. Due to their relative safety in terms of credit risk and perceived liquidity, Respondent chose to engage in the sale of ARPS to its retail customers, but generally eschewed sale of riskier types of ARS, especially those involving debt backed securities.

22. Contrary to its practice of making traditional stocks, bonds and mutual funds available for sale on line, Respondent opted to sell ARPS only through its FAs. A customer seeking financial advice might have called directly or have been referred to an FA by a local E*Trade office, or alternatively, an FA might have initiated a call to a particular customer if the FA felt that the customer had a particular need. For example, an FA who noticed that a client had a large cash account balance might have called the client to suggest moving the cash to an investment with a better rate of return.

23. Procedurally, when an FA received a buy or sell order from a client, the FA completed a trade ticket and forwarded it to the Fixed Income Desk located in the same office. The Fixed Income Desk then forwarded the buy or sell order to the intermediary broker-dealer, Oppenheimer & Co. Oppenheimer then aggregated the various buy and sell orders received from all client broker-dealers and forwarded them to the auction agent for presentation at the next available auction.

24. If the auction was successful and the buy or sell order was executed, a trade confirmation was prepared and forwarded back to the investor.

25. In recommending ARPS for investors' consideration, certain FAs described ARPS as "7-day paper" with "daily liquidity" that was as safe as a money market account. Although FAs also referred to ARPS as "auction rate preferreds," they rarely if ever explained that ARPS were in fact long-term securities that could only be sold at auction, nor mentioned that if an auction failed ARPS would lose liquidity.

The Dutch Auction Process

26. ARS, including ARPS, are not traded on the New York Stock Exchange or any other open securities exchange. Rather, ARS (including ARPS) were, prior to the ARS market collapse in February 2008, traded through a "Dutch auction" process.

27. If, at any given auction, there are insufficient buyers to purchase all the ARS available for sale at a clearing rate below the maximum rate, the auction is said to have "failed." An investor who has been unable to sell his or her ARS at a failed auction must then wait until the next periodic auction to again offer them for sale. Until the ARS are sold at a successful auction, the interest rate paid on that ARS is the maximum or default rate.

28. Because ARS are typically long-term instruments, and in the case of ARPS are of perpetual maturity, their liquidity depends upon the ability of holders to sell the instruments at auction. If auctions fail, or if the auction process collapses entirely as it did in February 2008, liquidity is severely impaired.

29. Because there is no established market for ARS apart from the auction process, there is limited ability to liquidate ARS outside that process. The ARS issuer may decide to redeem those shares if it is economically advantageous to do so, but there is no obligation upon issuers to do so. Alternatively, an ARS holder may be able to arrange a sale on an ad hoc basis outside the auction process. However, such sales are on a case by case basis and often involve discounts to the par value of the ARS, resulting in a financial loss to the holder.

30. Consequently, the liquidity of ARS (including ARPS) depended upon the continued success of the Dutch auction process.

Collapse of the Dutch Auction Process

31. The Dutch auction process functioned with very few auction failures for many years after the introduction of ARS in 1984. Over the years, there had been approximately 13 auction failures, typically arising when an issuer lost its creditworthiness, thus eliminating buyer interest in that security. However, prior to February 2008, there had not been an ARPS auction failure nor had there been a total collapse of the ARS auction market.

32. Beginning in August 2007, deteriorating economic conditions and tightening credit markets caused a strain on the ARS market, resulting in a number of ARS auction failures.

However, prior to February 2008, these failures did not involve the ARPS auction markets because ARPS were generally considered safer and more creditworthy investments.

33. However, in February 2008, an event occurred that caused the wholesale collapse of the ARS auction market, including ARPS. The triggering event was the decision by a major underwriter, Goldman-Sachs, to stop submitting cover bids. Large underwriters, like Goldman-Sachs, found that due to deteriorating financial conditions, they could no longer afford to carry large balances of ARS on their books and thus they stopped buying ARS for their own accounts. Once Goldman-Sachs stopped submitting cover bids at auction, all the other large underwriters followed suit.

34. Without the support of the large underwriters, insufficient buy bids were received at most auctions to cover all the ARS offered for sale, and as a result the auction market totally collapsed. The ARPS auction market was particularly hard hit because the maximum, or default, rates for ARPS were generally very low and therefore there was insufficient investor interest to sustain the market in the absence of the underwriter's cover bids.

35. As of February 13, 2008, Respondent's investors nationwide held a balance of approximately $581 million in ARPS, and approximately $870 million altogether in the ARS market, that had lost liquidity as the result of the collapse of the auction process.

Failure to Supervise

36. Respondent had a policy of hiring experienced FAs who, presumably, had been trained by other employers with regard to the securities they handled. However, Respondent provided no formal training to its FAs with respect to ARPS.

37. Respondent's FAs were directly supervised by a branch manager whose supervisory responsibilities were set out in Branch Policies and Procedures manuals. In addition, FAs were provided with a Registered Representatives Manual that governed their professional practice. None of these documents specifically addressed the need for FAs to advise ARPS customers of the risks of auction failure and loss of liquidity. Respondent maintained a policy of reviewing FA-investor phone conversations and account records on a random basis and providing feedback. Despite these supervisory reviews, FAs continued to advise ARPS investors that ARPS were highly liquid "7-day paper," without the additional context that ARPS were in fact long term instruments that could only be liquidated at successful Dutch-style auctions.

38. Even when the significant risk of auction failure with regard to other types of ARS became apparent, FAs were not instructed to provide any warning about the risk of ARPS illiquidity.

39. Respondent should have known that its FAs marketed ARS to customers as highly liquid and as an alternative to cash or money market funds without adequately disclosing that ARS are complex securities that may become illiquid.

40. In connection with the marketing of ARS, Respondent failed to adopt policies and procedures reasonably designed to ensure that its FAs recommended ARS only to customers who had stated investment objectives that were consistent with their purchase of ARS. Some of Respondent's FAs recommended ARS to customers as a liquid, short-term investment. As a result, some of Respondent's customers who needed short-term access to funds invested in ARS even though ARS had long-term or no maturity dates.

III.

CONCLUSIONS OF LAW

41. The Division has jurisdiction over this matter pursuant to Section 61-1-6 of the Act.

42. By engaging in the acts and conduct set forth in paragraphs II.2 through II.40, Respondent failed to reasonably supervise its financial advisors in connection with the marketing of ARS to its customers, warranting sanctions under Section 61-1-6(2)(a)(ii)(J) of the Act.

IV.

ORDER

On the basis of the Findings of Fact, Conclusions of Law, and Respondent's consent to the entry of this Order, without admitting or denying the facts or conclusions herein,

IT IS HEREBY ORDERED:

1. This Order concludes the investigation by the Division and precludes any other action that the Division could commence against the Respondent under applicable Utah law on behalf of Utah as it relates to Respondent's sale of auction rate securities prior to February 13, 2008.

2. This Order is entered into solely for the purpose of resolving the above-referenced multi-state investigation, and is not intended to be used for any other purpose.

3. Respondent shall cease and desist from violating Section 61-1-6(2)(a)(ii)(J) of the Act and will comply with Section 61-1-6(2)(a)(ii)(J) of the Act.

4. Within 10 days from the entry of this Order, Respondent shall pay the sum of thirty-nine thousand, fifty-one dollars and eighty-seven cents ($39,051.87) to the Division as an administrative fine for deposit in the Securities Investor Education, Training and Enforcement Fund, pursuant to Section 61-1-18.7 of the Act, which amount constitutes the State of Utah's proportionate share of the total state settlement amount of $5,000,000.00. In the event another state securities regulator determines not to accept Respondent's settlement offer, the total amount of the payment to the State of Utah shall not be affected.

5. Respondent shall take certain measures with respect to current and former customers with respect to "Eligible Auction Rate Securities", as defined below in Paragraph IV.6.

6. "Eligible Auction Rate Securities." For purposes of this Order, "Eligible Auction Rate Securities" means auction rate securities that Respondent's customers purchased through Respondent, or through an entity acquired by Respondent, on or before February 13, 2008, and that have failed at auction at least once since February 13, 2008.

7. "Eligible Investors". For purposes of this Order, "Eligible Investors," shall mean the following:

(a) Current and former account holders who purchased Eligible Auction Rate Securities through Respondent on or before February 13, 2008, whether or not such Eligible Auction Rate Securities were transferred away from Respondent, and held those securities on February 13, 2008.

(b) As for customers who purchased Eligible Auction Rate Securities from an entity acquired by Respondent, only those customers who became customers of Respondent and transferred their ARS holdings to Respondent following the acquisition shall be considered "Eligible Investors."

8. Not Included In the Definition of "Eligible Investors." "Eligible Investors" for the purposes of this Order, shall not include the following:

(a) Senior management of Respondent and its predecessors or Respondent's financial advisors/registered representatives.

(b) Customers who, as a result of prior legal proceedings with E*TRADE, have previously had claims adjudicated.

(c) Customers who received par value for their ARS through a sale, issuer redemption, or payment from Respondent.

9. Purchase Offer. Respondent shall offer to purchase (or offer to arrange a third party to purchase), at par plus accrued and unpaid dividends/interest, from Eligible Investors their Eligible Auction Rate Securities that have failed at auction at least once since February 13, 2008 (the "Purchase Offer").

10. Notification and Buyback Procedures.

a. Respondent shall create a written notice related to the Purchase Offer (the "Notice"). The Notice shall explain the relevant terms of this Order and describe what Eligible Investors must do to accept, in whole or in part, the Purchase Offer, including how Eligible Investors may accept the Purchase Offer.

b. Initial Notice

i. Respondent shall provide the Notice to Eligible Investors who purchased Eligible Auction Rate Securities with Respondent by January 16, 2012.

ii. Furthermore, by January 16, 2012, Respondent shall undertake its best efforts to identify and locate customers who purchased Eligible Auction Rate Securities with Respondent but who transferred such Eligible Auction Rate Securities away from Respondent between February 13, 2008 and November 16, 2011. Respondent will provide any such customers the Purchase Offer described in Section IV.9, the Notification and Buyback Procedures described in Section IV.10, and the other terms described in Sections IV.11, IV.12, and IV.13.

c. Second Notice

With respect to each Eligible Investor that Respondent sent the Notice required by Paragraph IV.10.b above and who did not respond, Respondent shall provide a second copy of the Notice on or before March 30, 2012.

d. Offer Period

i. Respondent shall keep the Purchase Offer open until May 15, 2012 ("Offer Period").

ii. Eligible Investors may accept the Purchase Offer by notifying Respondent as described in the Purchase Offer, at any time before 11:59 P.M. Eastern Time, on or before the last day of the Offer Period. For those Eligible Investors who accept the Purchase Offer within the Offer Period, Respondent shall purchase or arrange to have purchased their Eligible Auction Rate Securities by no later than five (5) business days following Respondent's receipt of such Eligible Investor's acceptance.

e. An Eligible Investor may revoke their acceptance of Respondent's Purchase Offer at any time up until Respondent's purchase of such Eligible Investor's Eligible Auction Rate Securities.

f. Respondent's obligation to those Eligible Investors who transferred their Eligible Auction Rate Securities away from Respondent prior to November 16, 2011 shall be contingent on: (1) Respondent receiving reasonably satisfactory assurances from the financial institution currently holding the Eligible Investor's Eligible Auction Rate Securities that the bidding rights associated with such Eligible Auction Rate Securities will be transferred to Respondent; and (2) the transfer to, and receipt in good order by, Respondent of Eligible Auction Rate Securities.

g. Respondent shall use its best efforts to identify, contact and assist any Eligible Investor who has transferred the Eligible Auction Rate Securities out of Respondent's custody in returning such Auction Rate Securities to Respondent's custody, and shall not charge such Eligible Investor any fees relating to or in connection with the return to Respondent or custodianship by Respondent of such Eligible Auction Rate Securities.

11. Customer Assistance. By no later than the date of the Initial Notice, Respondent shall establish a dedicated toll-free telephone assistance line and website to provide information and to respond to questions concerning the terms of this Order, and to provide information concerning the terms of this Order and, via an e-mail address or other reasonable means, to respond to questions concerning the terms of this Order. Respondent shall maintain the telephone assistance line until August 16, 2012.

12. Relief for Eligible Investors Who Sold Below Par. By January 16, 2012, Respondent shall use its best efforts to identify each Eligible Investor who: (i) purchased Eligible Auction Rate Securities from Respondent on or before February 13, 2008; and (ii) who sold those Eligible Auction Rate Securities below par between February 13, 2008 and November 16, 2011 ("Below Par Sellers"). By January 31, 2012, Respondent shall pay each Below Par Seller the difference between par and the price at which the Below Par Seller sold the Eligible Auction Rate Securities, plus reasonable interest thereon. Furthermore, Respondent will pay promptly the difference between par and the price at which the Below Par Seller sold the Eligible Auction Rate Securities, plus reasonable interest thereon to any Below Par Sellers identified after January 31, 2012.

13. Consequential Damages Arbitration Process.

a. Respondent shall consent to participate in a special arbitration process ("Arbitration") for the exclusive purpose of arbitrating any Eligible Investor's consequential damages claim arising from their inability to sell Eligible Auction Rate Securities. In the Arbitration, the Special Arbitration Process applicable to firms that have entered into settlements with state regulators (the "State SAP") will be available for the exclusive purpose of arbitrating any Eligible Investor's consequential damages claim. By January 16, 2012, Respondent shall notify Eligible Investors of the terms of the Arbitration process through the Notice as set forth in Paragraph IV.10.b.

b. The Arbitration shall be conducted under the auspices of FINRA, pursuant to the NASD Code of Arbitration Procedures for Customer Disputes, eff. April 16, 2007. Respondent will pay all applicable forum and filing fees.

c. Any Eligible Investors who choose to pursue such claims in the Arbitration shall bear the burden of proving that they suffered consequential damages and that such damages were caused by their inability to access funds invested in Eligible Auction Rate Securities. In the Arbitration, Respondent shall be able to defend itself against such claims; provided, however, that Respondent shall not contest liability for the illiquidity of the underlying auction rate securities position or use as part of its defense any decision by the Eligible Investor not to borrow money from Respondent.

d. Eligible Investors who elect to use the Arbitration provided for herein shall not be eligible for punitive damages, or for any other type of damages other than consequential damages. However, the State SAP will govern the availability of attorney's fees.

14. Loan Interest Expense.

By January 16, 2012, Respondent shall use its best efforts to identify Eligible Investors that obtained a loan through Respondent (or its affiliates) secured by Eligible Auction Rate Securities that were not successfully auctioning at the time the loan was taken and who paid more in interest on the loan than the Eligible Investor received in interest or dividends from the Eligible Auction Rate Securities during the time the loan was outstanding ("Negative Carry"). Respondent, on or before January 16, 2012, will reimburse the Eligible Investor the amount of Negative Carry actually paid.

15. Reports and Meetings

a. Respondent shall submit quarterly reports to the Colorado Division of Securities detailing Respondent's progress with respect to the provisions of this Order within ten (10) days from the month when a quarterly report is due, beginning with a report covering the quarter ending December 31, 2011 and continuing through and including a report covering the quarter ending December 31, 2012.

b. Beginning December 21, 2011, Respondent shall confer via telephone at least quarterly with the Colorado Division of Securities regarding Respondent's progress with respect to the provisions of this Order. Such quarterly telephone conferences shall continue until December 31, 2012.

c. The reporting and telephone conference deadlines set forth above may be amended or modified with written permission from the Colorado Division of Securities.

d. At the conclusion of the Purchase Offer, Respondent shall provide a report to the Colorado Division of Securities concerning all customers nationwide impacted by Respondent's Purchase Offer and/or reimbursement to those who sold below par.

16. This Order is not intended to indicate that Respondent or any of its affiliates or current or former officers, directors, trustees, agents, members, partners, or employees (and of any of Respondent's parent companies, subsidiaries or affiliates) shall be subject to any disqualifications contained in the federal securities laws, the rules and regulations thereunder, the rules and regulations of self regulatory organizations or various states' securities laws including any disqualifications from relying upon the registration exemptions or safe harbor provisions. In addition, this Order is not intended to form the basis for any such disqualifications.

17. Except in an action by the State of Utah to enforce the obligations of Respondent in this Order, this Order may neither be deemed nor used as an admission of or evidence of any alleged fault, omission or liability of Respondent in any civil, criminal, arbitration or administrative proceeding in any court, administrative agency or tribunal. For any person or entity not a party to this Order, this Order does not limit or create any private rights or remedies against Respondent or any of its affiliates or current or former officers, directors, trustees, agents, members, partners, or employees (and of any of Respondent's parent companies, subsidiaries or affiliates) including, without limitation with respect to the use of any emails or other documents of Respondent or of others concerning the marketing and/or sales of auction rate securities, limit or create liability of Respondent, or limit or create defenses of Respondent to any claims.

18. This Order is not intended to disqualify Respondent or any of its affiliates or current or former officers, directors, trustees, agents, members, partners, or employees (and of any of Respondent's parent companies, subsidiaries or affiliates) from any business that they otherwise are qualified or licensed to perform under applicable state securities law and this Order is not intended to form the basis for any disqualification. This Order may not be read to indicate that Respondent or any of its affiliates or current or former officers, directors, trustees, agents, members, partners, or employees (and of any of Respondent's parent companies, subsidiaries or affiliates) engaged in fraud or to serve as the basis for any future independent action to establish a violation of any federal laws, the rules or regulations thereunder, or the rules and regulations of self-regulatory organizations.

19. Respondent acknowledges that this Order, upon approval by the Utah Securities Commission ("Commission") shall be the final compromise and settlement of this matter. Respondent further acknowledges that if the Commission does not accept the terms of the Order, it shall be deemed null and void and without any force or effect whatsoever.

20. This Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Order in any way.

DATED this 18 day of July, 2012.

Utah Division of Securities

Date: 07-18-2012

By: Dave R. Hermansen
Dave R. Hermansen
Director of Licensing and Compliance

CONSENT TO ENTRY OF CONSENT ORDER BY E*TRADE SECURITIES LLC

E*TRADE Securities LLC ("Respondent") hereby acknowledges that it has been served with a copy of this Order, has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

Respondent admits the jurisdiction of the Division, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to entry of this Order by the Division as settlement of the issues contained in this Order.

Respondent shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any administrative monetary payment that Respondent shall pay pursuant to this Order.

Respondent states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

James E. Ballowe Jr represents that he/she is General Counsel, Brokerage of E*TRADE Securities LLC and that, as such, has been authorized by E*TRADE Securities LLC to enter into this Order for and on behalf of E*TRADE Securities LLC

DATED this 11th day of July, 2012.

E*TRADE SECURITIES LLC

By: James E Ballowe Jr

Title: General Counsel, Brokerage

STATE OF Virginia)
)
County of Arlington)

SUBSCRIBED AND SWORN TO before me this 11th day of July, 2012.

Christopher C. Horak

Notary Public

My commission expires:

May 31, 2016

CHRISTOPHER C HORAK
NOTARY PUBLIC
REG # 106887
MY COMMISSION EXPIRES 5/31/2016
COMMONWEALTH OF VIRGINIA

BY THE UTAH SECURITIES COMMISSION:

The foregoing Stipulation and Consent Order is hereby accepted, confirmed, and entered by the Utah Securities Commission.

DATED this 19th day of July, 2012.

Brent Baker

Tim Bangerter

Jane Cameron

Erik Christiansen

Laura Polacheck

Certificate of Service

I, Julie Price, certify that on the 25 day of July, 2012, I served the foregoing Stipulation and Consent Order by mailing a copy to:

F. Daniel Bell III
K&L Gates LLP
4350 Lassiter at North Hills Avenue
Suite 300 (27609)
Post Office Box 17047
Raleigh, North Carolina 27619-7047

via e-mail: Dan.Bell@klgates.com

Julie Price
Executive Secretary