

DENISE VOIGT CRAWFORD
SECURITIES COMMISSIONER



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DEPUTY SECURITIES COMMISSIONER

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Texas State Securities Board

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MEMBER

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

§
§
§

Order No. IC07-CAF-03

TO: Bryce Bradley Engel, President
Ameritrade, Inc. (CRD No. 5633)
1005 North AmeritradePlace
Bellevue, NE 68005

DISCIPLINARY ORDER AND UNDERTAKING

Be it remembered that Ameritrade, Inc. ("Respondent"), by and through Bryce Bradley Engel, its President, appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") and Undertaking and the Findings of Fact and Conclusions of Law contained herein.

FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2006)("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. § 2001.001 et seq. (Vernon 2000 & Supp. 2006)("Administrative Procedure Act").
2. On or about July 22, 1983, Respondent registered with the Securities Commissioner as a securities dealer, which is currently effective.
3. Since 2002, Respondent has maintained a trading platform that may be utilized by persons acting as an independent investment adviser ("IIA") for customers holding accounts with Respondent. In order to utilize the platform, each IIA must open a "master account" with the Respondent and obtain trading authorization from the customers.
4. In or about June 2003, Respondent contracted with a third party ("Contractor") to perform registration verifications on each IIA seeking to utilize the trading platform. Respondent's written policies and procedures state that the Respondent will not enter into a relationship with an IIA seeking to use the trading platform until the Contractor has been able to verify the registration status of the IIA.

5. In or about April 2004 and in or about October 2004, Respondent received notifications from the Contractor that multiple IIAs (the "Advisers") located in Texas and utilizing Respondent's trading platform were not appropriately registered and/or notice-filed with the State of Texas.
6. Respondent did not immediately prohibit the Advisers from utilizing Respondent's trading platform. Furthermore, Respondent did not direct its employees to immediately follow-up on the registration status of each of the Advisers.
7. Pursuant to § 115.10(b)(1) of the Rules and Regulations of the Texas State Securities Board ("Board Rules"), a dealer shall establish, maintain, and enforce written procedures to supervise the activities of its agents that are reasonably designed to achieve compliance with the Texas Securities Act and Board Rules.
8. Respondent continued to allow the Advisers to utilize Respondent's trading platform until on or about December 7, 2005.
9. Each IIA utilizing Respondent's trading platform is generally able to, with prior consent from its clients, directly transfer management fees from Respondent's customer accounts to the IIA's master account. In order to effect a management fee transfer, an IIA must submit a management fee transfer request directly to the Respondent.
10. Until on or about April 4, 2006, Respondent had not established a system or any procedures reasonably designed to monitor for, and address, management fee transfer requests that could be in excess of the industry standards for management fees or otherwise indicative of improper conduct by an IIA on Respondent's trading platform.

CONCLUSIONS OF LAW

1. Respondent's failures to direct its employees to immediately follow-up on the registration status of each of the Advisers and/or immediately prevent the Advisers from continuing to utilize Respondent's trading platform constitute failures to enforce Respondent's written procedures, and are violations of § 115.10(b)(1) of the Board Rules.
2. Pursuant to Section 14.A(6) of the Texas Securities Act, the foregoing violations of a Board Rule constitute bases for the issuance of an order reprimanding a registered dealer.
3. Pursuant to Section 23-1 of the Texas Securities Act, the foregoing violations of a Board Rule constitute bases for the assessment of an administrative fine against a dealer.

UNDERTAKING

1. Respondent hereby undertakes and agrees to continue to utilize the services of the independent outside consultant it has retained, as of April 4, 2006, to monitor for management fee transfer requests by an IIA that could be in excess of industry standards for management fees on a going forward basis and until such time that the computer systems of Respondent and/or any successor are able to conduct reasonable monitoring.
2. Respondent further undertakes and agrees to develop written procedures that are reasonably designed to monitor for, and address, management fee transfer requests that could be in excess of the industry standards for management fees. Respondent further undertakes and agrees to submit these written procedures and policies to the Director of the Inspections & Compliance Division of the Texas State Securities Board within sixty (60) days of the Order being signed by the Securities Commissioner.
3. Respondent further undertakes and agrees to take reasonable steps to enforce its written procedures and policies with respect to its trading platform by IIAs.

ORDER

1. It is therefore ORDERED that Ameritrade, Inc. is hereby REPRIMANDED.
2. It is further ORDERED that Ameritrade, Inc. is hereby ASSESSED AN ADMINISTRATIVE FINE in the amount of Two Hundred Thousand Dollars (\$200,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Two Hundred Thousand Dollars (\$200,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
3. It is further ORDERED that Ameritrade, Inc. hereby COMPLY with the terms of the Undertaking contained herein.

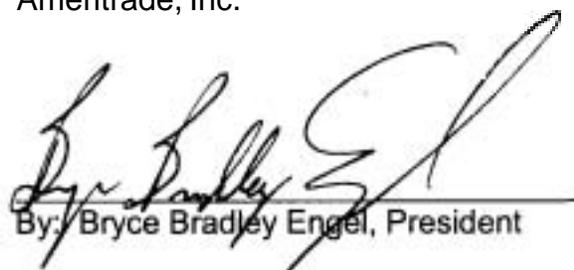
SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 7th
day of February, 2007.

Denise Voigt Crawford

DENISE VOIGT CRAWFORD
Securities Commissioner

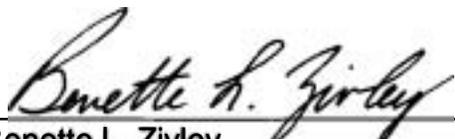
Respondent:

Ameritrade, Inc.

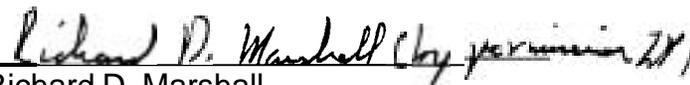


By: Bryce Bradley Engel, President

Approved as to Form:



Benette L. Zivley
Director
Inspections and Compliance Division



Richard D. Marshall
Attorney for Respondent



Ronak V. Patel
Attorney
Inspections and Compliance Division



Lee Polson
Attorney for Respondent

ACKNOWLEDGMENT

On the 29th day of January, 2007, Ameritrade, Inc. ("Respondent"), by and through, Bryce Bradley Engel, its President, personally appeared before me, executed the foregoing Order and Undertaking, and acknowledges that:

1. Bryce Bradley Engel is duly authorized to enter into the foregoing Order and Undertaking on behalf of Respondent;
2. Bryce Bradley Engel has read the foregoing Order and Undertaking;
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 Undertaking 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.



[affix notary seal here]

Denise K. Richardson
Notary Public in and for
the State of Nebraska

My commission expires on: 11/1/2007