

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

**Certified, Return Receipt Requested**

**TO: Robert W. Baird & Co. Incorporated  
Jeffrey Freiburger  
Compliance Director  
P.O. Box 672  
Milwaukee, WI 53201**

**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. 20080122967-01**

**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.

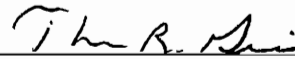
You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or NASDAQ if you are not a member of FINRA) in 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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Robert W. Baird & Co. Incorporated

If you have any questions concerning this matter, please call Ricardo Núñez, Counsel, (240) 386-6135.



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

Signed on behalf of NASDAQ

Enclosure

cc: FINRA District 8 – Chicago  
Carla A. Romano, Regional Director  
55 West Monroe Street  
Suite 2700  
Chicago, IL 60603-5052

Paul L. Schultz, Esquire  
Robert W. Baird & Co.  
777 East Wisconsin Avenue  
Milwaukee, WI 53202

**THE NASDAQ STOCK MARKET LLC**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 20080122967-01**

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

RE: Robert W. Baird & Co. Incorporated, Respondent  
Broker-Dealer  
CRD No. 8158

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC ("Nasdaq") Code of Procedure, Robert W. Baird & Co. Incorporated (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 became a member of FINRA on August 6, 1971 and a member of Nasdaq on July 12, 2006. The firm has no relevant disciplinary history.

## FACTS AND VIOLATIVE CONDUCT

This matter is the result of FINRA's Department of Market Regulation's review of the firm's compliance with SEC Rule 604 from July 1, 2007, to September 30, 2007.

1. From July 1, 2007, to September 30, 2007, the firm failed to display immediately 43 customer limit orders in Nasdaq securities in its public quotation, when each such order was at a price that would have improved the firm's bid or offer in each such security; or when the order was priced equal to the firm's bid or offer and the national best bid or offer for each such security, and the size of the order represented more than a *de minimis* change in relation to the size associated with the firm's bid or offer in each such security. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 604 of Regulation NMS.
2. From July 1, 2007, to September 30, 2007, the firm failed to transmit 38 Reportable Order Events ("ROEs") to the Order Audit Trail System ("OATS"), and in six instances the firm transmitted to OATS incomplete, or improperly formatted data. Specifically, the firm failed to file a Desk Report with OATS in 38 instances, in three instances the reports contained inaccurate quantity, and in three instances the reports contained inaccurate receipt time. The conduct described in this paragraph constitutes separate and distinct violations of Nasdaq Rule 6955(a).

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

A censure and a total fine of \$10,000.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments 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 sanctions 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 prejudice 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;

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.

7/29/10  
Date

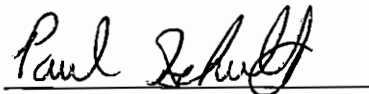
Robert W. Baird & Co. Incorporated  
Respondent

By: 

Name: JEFFREY FREIBURGER

Title: DIRECTOR OF COMPLIANCE


Reviewed by:



Name: Paul L. Schultz  
Counsel for Respondent

Accepted by Nasdaq:

8/24/10  
Date

  
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;<sup>1</sup> or
- The installment payment plan (only if approved by FINRA staff and the Nasdaq Review Council).<sup>2</sup>

Respectfully submitted,  
Respondent  
Robert W. Baird & Co. Incorporated

8/3/10  
Date

By: Neil Pruhs  
Name: Nick Pruhs  
Title: Compliance Officer

<sup>1</sup> 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 FINRA's Finance Department. Do not include your credit card number on this form.

<sup>2</sup> 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.



## Statement of Corrective Action

Re: Transmittal of Acceptance Waiver and Consent  
STAR No. 20080122967

Robert W. Baird & Co. Incorporated (“Baird”) has received the Letter of Acceptance, Waiver and Consent (“AWC”) in the above-referenced matter. We have executed the AWC and are enclosing this Corrective Action Statement for consideration in conjunction with the AWC. This Corrective Action Statement is submitted by Respondent. It does not constitute factual or legal findings by Nasdaq, nor does it reflect the views of Nasdaq or its staff.

The two issues cited in the AWC were limit order display (SEC Rule 604 of Regulation NMS) and the Order Audit Trail System (“OATS”) (Nasdaq Rule 6955(a)). Baird has made significant changes in these areas to correct the deficiencies cited in the AWC.

The primary corrective action taken by Baird was converting to a new order management system (“OMS”). The display of limit orders and the creation of OATS reports were done by Baird’s previous OMS provider under Baird’s close supervision. When Baird determined that there were issues with the performance of these responsibilities, we began to actively search for an alternative OMS provider.

After a thorough vetting process, Baird selected Lava Trading’s ColorPalette product as our new OMS. A full conversion to the new OMS occurred in February 2008. The ColorPalette OMS has performed well in the areas of limit order display and OATS reporting. This change in Baird’s OMS has prevented reoccurrences of the outage which caused the majority of Baird’s limit order display issue. In addition, Baird’s new OMS has eliminated the issue of missing Desk reports within our OATS reporting. Baird also conducts a periodic review of OATS data submissions for accuracy.

To further address issues related to order receipt times reported by Baird in our OATS reports, Baird provided additional training to our Financial Advisors. On February 25, 2008 Baird distributed a Compliance Registration Note to our Financial Advisors. This Note set forth the proper procedure for entering order times into the order entry screen used by Financial Advisors. We believe this additional training, in conjunction with the new OMS, has fully addressed the issues cited in the AWC.