

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2006005964001**

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REGISTRATION & DISCLOSURE

**TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")**

**RE: E.S. Financial Services, Inc., Respondent
Member
[CRD No. 104316]**

Pursuant to NASD Rule 9216 of FINRA's Code of Procedure, E.S. Financial Services, Inc. ("ESFS" or "Respondent") 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, FINRA will not bring any future actions against ESFS alleging violations based on the same factual findings described herein.

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ACCEPTANCE AND CONSENT

- A. ESFS 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 FINRA, or to which FINRA 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 FINRA:**

BACKGROUND

ESFS is registered with FINRA as a broker-dealer and is majority owned by Espirito Santo Bank ("ESB"). ESFS has been a member of FINRA (f/k/a National Association of Securities Dealers or NASD) since March 6, 2001 and is headquartered in Miami, Florida. ESFS operates pursuant to the \$250,000.00 minimum net capital requirement of Section 15(c) of the Securities Exchange Act of 1934 and Rules 15c3-1(a)(2)(i) and 15c3-3 thereunder. ESFS has no prior disciplinary history.

OVERVIEW

At various times between May 2005 and July 2006, ESFS did not maintain accurate books and records, in violation of Section 17(a) of the Securities Exchange Act of 1934

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and Rule 17a-3 thereunder, and NASD Conduct Rules 3110 and 2110, and did not establish and maintain adequate customer safekeeping accounts in violation of the Securities Exchange Act of 1934 and Rule 15c3-3 thereunder, and NASD Conduct Rule 2110.

FACTS AND VIOLATIVE CONDUCT

At various times between May 2005 and June 2006, ESFS did not maintain current and accurate books and records reflecting the fact that customer securities were held at various depository locations in the name of ESB and not in the name of ESFS as ESFS had not established a direct relationship with the identified depository locations. As a result, ESFS violated Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-3(a)(5) thereunder, and NASD Conduct Rules 3110 and 2110.

At various times between May 2005 and July 2006, ESFS did not establish customer safekeeping accounts for the safekeeping of customer fully paid for and excess margin securities and did not reduce such securities to possession or control, in violation of Section 15(c) of the Securities Exchange Act of 1934 and Rule 15c3-3, Sections (c) and (d) thereunder and NASD Conduct Rule 2110.

At various times between May 2005 and June 2006, ESFS did not maintain an adequate Special Reserve Bank Account for the Exclusive Benefit of Customers ("Reserve Bank Account"); did not obtain an adequate written notification from ESB regarding segregation of cash and/or qualified securities deposited in the Reserve Bank Account; and did not file telegraphic notice of certain reserve deficiencies in the Reserve Bank Account, in violation of Section 15(c) of the Securities Exchange Act of 1934 and Rule 15c3-3, Sections (e), (f) and (i) thereunder and NASD Conduct Rule 2110.

OTHER FACTORS

B. ESFS also consents to the imposition of the following sanctions:

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

ESFS agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. ESFS has submitted an Election of Payment form showing the method by which ESFS proposes to pay the fine imposed.

ESFS 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 FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

ESFS specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against it;
- 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, ESFS specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, 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.

ESFS further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of NASD Rule 9143 or the separation of functions prohibitions of NASD 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

It is understood 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 NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against ESFS; and
- C. If accepted:
1. this AWC will become part of ESFS' permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against ESFS;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about ESFS' disciplinary record;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
 4. ESFS 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. ESFS may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects ESFS' right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. ESFS may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. ESFS 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 FINRA, nor does it reflect the views of FINRA or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its 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 me to submit it.

E.S. Financial Services, Inc.

12/12/07

Date


Lia Yaffar

President and Chief Compliance Officer

Accepted by FINRA:

12/31/07

Date

Signed on behalf of the
Director of ODA, by delegated authority


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