

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**NO. 200700713680

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REGISTRATION & DISCLOSURE

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

RE: Argosy Capital Securities, Inc., Respondent
Member
BD No. 44885

John H. Banzhaf, Sr., Respondent
General Securities Principal
CRD No. 2679579

Pursuant to NASD Rule 9216 of the Code of Procedure, Argosy Capital Securities, Inc. and John H. Banzhaf, Sr. (collectively, "Respondents") submit 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 Respondents alleging violations based on the same factual findings described herein.

I.**ACCEPTANCE AND CONSENT**

- A. Respondents hereby accept and consent, 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**Argosy Capital Securities, Inc.**

Argosy Capital Securities, Inc. (f/k/a Hartsfield Capital Securities, Inc.) is a FINRA member firm and has been such since September 1998. Argosy maintains two branch offices, one in Alpharetta, Georgia and another in Mableton, Georgia. Five registered persons are currently associated with the firm. Argosy derives most of its revenue from agency listed transactions.

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John H. Banzhaf, Sr.

John H. Banzhaf, Sr. initially became registered with FINRA in 1996. He holds Series 24, 62 and 63 licenses, all of which he acquired in 1996. Banzhaf has been associated with several FINRA member firms, including: Buckhead Financial Corporation (12/05/94 to 12/20/96); Pillar Securities Corporation (6/14/96 to 1/2/97); Centennial Capital Management, Inc. (1/13/97 to 12/31/97); and Argosy Capital Securities, Inc. (2/5/98 to present). Banzhaf is currently associated with Argosy. From at least March 2003 through the present, Banzhaf has co-owned the firm and has served as its President, Chief Compliance Officer, and Anti-Money Laundering ("AML") Compliance Officer. Between March 2003 and May 2007, he was responsible for Argosy's AML obligations.

RELEVANT PRIOR DISCIPLINARY HISTORY**Argosy**

In 2003, pursuant to a Letter of Acceptance, Waiver and Consent, Argosy was censured, fined \$10,000, and agreed to various undertakings for violations of correspondent account and record-keeping rules under the Bank Secrecy Act in connection with its handling of foreign bank accounts and for its failure to establish a satisfactory AML program.

Banzhaf

Banzhaf has no prior disciplinary history.

OVERVIEW

From March 2003 through May 2007, Argosy failed to properly preserve business-related e-mails and failed to establish, maintain, and enforce adequate written supervisory procedures relating to the preservation and review of such e-mails. As a result of such conduct, Argosy violated Section 17(a) of the Securities Exchange Act of 1934, SEC Rule 17a-4, and NASD Conduct Rules 3010, 3110, and 2110.

In addition, from March 2003 through May 2007, Argosy, through Banzhaf, failed to: (1) maintain adequate AML procedures and Customer Identification Procedures ("CIPs"); (2) obtain foreign bank recertifications for two accounts or otherwise obtain the necessary information; (3) follow the proper procedures for filing suspicious activity reports; and (4) notify its correspondent account holders that correspondent accounts may not be used to provide Commercial Bank of Syria or VEF Bank with access to the firm. As a result of such conduct, Argosy and Banzhaf violated NASD Conduct Rules 3011 and 2110.

FACTS AND VIOLATIVE CONDUCT

E-Mail Violations

SEC Rules 17a-3 and 17a-4 and NASD Conduct Rule 3110 impose a general duty on member firms to maintain, keep current, and preserve certain books and records. SEC Rule 17a-4(b)(4) requires member firms to maintain and preserve, for a period of not less than three years, electronic and other communications relating to their business as a broker-dealer. NASD Conduct Rule 3010(d) requires, among other things, member firms to establish appropriate procedures for reviewing business-related e-mails.

From March 2003 through May 2007, Argosy failed to properly preserve business-related e-mails and to establish, maintain, and enforce adequate written supervisory procedures relating to the preservation and review of such e-mails. Prior to May 2007, Argosy did not preserve all of its business-related e-mails in hard copy form or in a non-rewritable, non-erasable form by means of an electronic storage media. Prior to May 2007, the firm relied on its associated persons to forward their business-related e-mails from external e-mail addresses to an Argosy principal for review. This was not always done, and Argosy's supervisory procedures and system did not provide for reasonable follow-up and review to ensure that its associated persons were forwarding their business-related e-mails for principal review. As a result of the foregoing, Argosy violated Section 17(a) of the Securities Exchange Act of 1934, SEC Rule 17a-4 and NASD Conduct Rules 3010, 3110, and 2110.

AML Violations

NASD Conduct Rule 3011 requires all member firms to "develop and implement a written anti-money laundering program reasonably designed to achieve and monitor the firm's compliance with the requirements of the Bank Secrecy Act, 31 U.S.C. § 5311, *et seq.*, and the implementing regulations promulgated thereunder by the Department of the Treasury." From March 2003 through May 2007, Argosy, through Banzhaf, had deficient written AML procedures in that the procedures did not adequately address the following areas:

- Review and update the AML Compliance Officer information in the FINRA Contact System on a quarterly basis;
- Provide information on foreign bank accounts to law enforcement within seven days of receiving such a request;
- Freeze accounts in addition to prohibiting transactions by persons suspected of terrorist activities under Executive Order #13224;
- Prevent the receipt of cash and, if received, address the receipt of cash; and

- Monitor new rules proposed under Section 311 of the USA PATRIOT Act and take appropriate action.

In addition, from March 2003 through May 2007, Argosy, through Banzhaf, had deficient written CIPs in that the procedures did not adequately address the following areas:

- Require the firm to obtain, at a minimum, all of the following information: customer name; date of birth; address; taxpayer ID; and government-issued documentation certifying the existence of the business or enterprise for a non-U.S. business;
- Require an account to be closed if the firm cannot obtain the minimum required information;
- Incorporate risk-based criteria for verifying the identity of each customer to the extent reasonable and practical based on the following factors: type of customer account; method of opening the account; types of identifying information available; and location of the customer;
- Ensure that verification of a customer's identity will happen within a reasonable timeframe before or after the account is opened;
- Specify when the firm will use documentary methods, non-documentary methods, or a combination of the two for verifying a customer's identity, including the specific types of documents and sources that will be used;
- Specify what steps the firm will take if it cannot form a reasonable belief that it knows the true identity of the customer; and
- Require all identifying customer information to be maintained for five years after an account is closed and records used to verify identity to be maintained for five years after they were made, but maintained longer if so required by SEC Rule 17a-4.

One of the implementing regulations of the Bank Secrecy Act, 31 CFR § 103.77, requires covered financial institutions to: (1) obtain initial certifications from foreign banks that the foreign banks are not being used to indirectly provide banking services to a foreign shell bank and provide certain information or otherwise obtain that information; and (2) obtain recertifications or obtain the information at least every three years thereafter. In 2006 and 2007, Argosy, through Banzhaf, failed to timely obtain recertifications from two foreign banks that the foreign banks are not being used to indirectly provide banking services to any foreign shell banks.

One of the implementing regulations of the Bank Secrecy Act, 31 CFR § 103.19, requires brokers or dealers to report suspicious activity by filing Form SAR-SF with FinCEN. Once in 2003 and twice in 2005, Argosy, through Banzhaf, filed suspicious activity reports by faxing written letters to the FBI, instead of filing them with FinCEN on Form SAR-SF.

The implementing regulations of the Bank Secrecy Act, 31 CFR §§ 103.188, 103.192, require covered financial institutions to notify its correspondent account holders that correspondent accounts may not be used to provide Commercial Bank of Syria or VEF Bank with access to the firm. Prior to 2007, Argosy, through Banzhaf, failed to notify its correspondent account holders that correspondent accounts may not be used to provide Commercial Bank of Syria or VEF Bank with access to the firm.

As a result of the foregoing, Argosy and Banzhaf violated NASD Conduct Rules 3011 and 2110.

OTHER FACTORS

- B. Respondents also consent to the imposition of the following sanctions:

Argosy is censured and fined \$10,000.¹

In addition, Argosy and Banzhaf are censured and fined, jointly and severally, \$10,000.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondents have submitted an Election of Payment form showing the method by which they propose to pay the fine imposed.

Respondents specifically and voluntarily waive any right to claim that they are 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

Respondents specifically and voluntarily waive the following rights granted under the Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against them;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;

¹ Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. See Notice to Members 06-55.

- 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, Respondents specifically and voluntarily waive any right to claim bias or prejudice 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.

Respondents further specifically and voluntarily waive 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

Respondents understand 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 them; and
- C. If accepted:
 - 1. this AWC will become part of Respondents' permanent disciplinary records and may be considered in any future actions brought by FINRA or any other regulator against them;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondents' disciplinary records;
 - 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. Respondents 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. Respondents 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 Respondents' right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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.

Respondents certify that they have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that they 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 them to submit it.

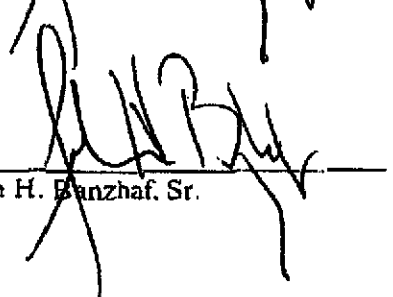
Argosy Capital Securities, Inc.

By:


John H. Banzhaf, Sr., President

Date

7-15-08


John H. Banzhaf, Sr.

Date

7-15-08

Accepted by FINRA:

7/28/08
Date

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



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