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REGISTRATION & DISCLOSURE
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**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2007007145101**

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

RE: CP Capital Securities, Inc., Respondent
CRD No. 15029

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, CP Capital Securities, Inc. ("CP Capital" 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 CP Capital alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. CP Capital 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

CP Capital has been a member of FINRA since November 2000. CP Capital is a fully-disclosed introducing firm which clears through another member firm, and is subject to a minimum net capital requirement of \$5,000. CP Capital operates one branch office and has twelve registered personnel.

RELEVANT DISCIPLINARY HISTORY

In February 2006, CP Capital was fined \$5,000 by the State of Florida for: (1) Failure to comply with a registration agreement; (2) Failure to maintain required books and records; (3) Failure to observe high standards of commercial honor and just and equitable principles of trade; and (4) Failure to establish and implement adequate written supervisory procedures and failure to exercise proper supervision.

CP Capital has no additional relevant disciplinary history.

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OVERVIEW

Between January 2005 and December 2007, CP Capital violated: (1) Section 10(b) of the Securities Exchange Act of 1934, SEC Rule 10b-9 thereunder, and NASD Conduct Rule 2110, by failing to satisfy the minimum contingency of a private placement offering of securities and by failing to timely send written reconfirmation offers to investors upon extending the offering; (2) Section 15(c)(2) of the Securities Exchange Act of 1934, SEC Rule 15c2-4 thereunder, and NASD Conduct Rule 2110, by failing to establish a proper bank escrow account in connection with a contingency offering and by releasing funds from escrow prior to satisfying the contingency; (3) NASD Membership and Registration Rule 1060 and NASD Conduct Rule 2110, by paying transaction-related compensation to two non-registered foreign entities without satisfying the requirements of Rule 1060; (4) NASD Conduct Rules 3011(a) and 2110, and MSRB Rule G-41, by failing to properly implement the firm's AML compliance program; (5) Section 17(a) of the Securities and Exchange Act of 1934, SEC Rule 17a-4, and NASD Conduct Rules 3110 and 2110, by failing to properly maintain email communications; and (6) SEC Rule 15c3-1 and NASD Conduct Rule 2110, by conducting a securities business while failing to satisfy its minimum net capital requirements.

FACTS AND VIOLATIVE CONDUCT

(1) Violations of Section 10(b) of the Securities Exchange Act of 1934, SEC Rule 10b-9, and NASD Conduct Rule 2110:

In March 2006, CP Capital acted as the placement agent for a contingency offering of securities (the "CPAA #1 offering"). Pursuant to the terms of the offering, \$4,030,000 had to be raised by March 27, 2006. SEC Rule 10b-9 requires that, in connection with contingency offerings, investor funds are promptly returned if the stated minimum proceeds of the offering are not raised by the deadline specified in the offering. As of March 27, 2006, CP Capital had not raised \$4,030,000. The CPAA #1 offering, however, was not terminated and investor funds were not returned. Rather, the offering period was extended and, between March 28, 2006 and May 18, 2006, CP Capital raised additional funds. Pursuant to SEC Rule 10b-9, the offering period cannot be extended unless, prior to the contingency deadline, reconfirmation offers are sent to all subscribers disclosing the extension and any other material updates, and the reconfirmation offer must be sent to subscribers far enough in advance so the subscriber who elects not to continue his investment will have his funds returned promptly. No written reconfirmation offers were sent to subscribers regarding the extension of the offering prior to the closing date. As a result of the foregoing, CP Capital violated Section 10(b) of the Securities Exchange Act of 1934, SEC Rule 10b-9, and NASD Conduct Rule 2110.

(2) Violations of Section 15(c)(2) of the Securities Exchange Act of 1934, SEC Rule 15c2-4, and NASD Conduct Rule 2110:

As a \$5,000 broker-dealer conducting a contingency offering, the CPAA #1 offering, CP Capital was required to establish an escrow account at an unaffiliated bank, with the bank acting as escrow agent. The escrow account established in connection with the CPAA #1 offering used an

attorney as the escrow agent on the escrow account. CP Capital's failure to establish a proper escrow account in connection with the CPAA #1 offering constitutes a violation of Rule 15c2-4. Moreover, CP Capital directed the release of investor funds prior to satisfying the minimum contingency requirement of the CPAA #1 offering. The premature release of investor funds from escrow constitutes a violation of Rule 15c2-4. As a result of the foregoing, CP Capital violated Section 15(c)(2) of the Securities Exchange Act of 1934, SEC Rule 15c2-4, and NASD Conduct Rule 2110.

(3) Violations of NASD Membership and Registration Rule 1060 and NASD Conduct Rule 2110:

NASD Membership and Registration Rule 1060 provides, in relevant part, that member firms may pay to non-registered foreign persons transaction-related compensation based upon the business of customers they direct to member firms if, among other things: (a) the customers are foreign nationals (not U.S. citizens) or foreign entities domiciled abroad; (b) the customers provide written acknowledgement to the member firm of the existence of the compensation arrangement and that such acknowledgement is retained and made available for inspection by the Association; and (c) customers receive a descriptive document, similar to that required by Rule 206(4)-3(b) of the Investment Advisers Act of 1940, that discloses what compensation is being paid to finders.

CP Capital made payments to two non-registered foreign entities for referrals of customers. CP Capital's payments were improper because: (1) one customer was not a foreign entity domiciled abroad; (2) CP Capital did not obtain written acknowledgment of the existence of the compensation arrangement between CP Capital and the non-registered foreign entities, and (3) CP Capital failed to provide a descriptive document disclosing what compensation was being paid to the non-registered foreign entities. As a result of the foregoing, CP Capital violated NASD Membership and Registration Rule 1060 and NASD Conduct Rule 2110.

(4) Violations of NASD Conduct Rules 3011(a) and 2110 and MSRB Rule G-41:

NASD Conduct Rule 3011, which became effective on April 24, 2002, requires FINRA members to develop and implement a written AML program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act, 31 U.S.C. §5311, et seq., and the regulations promulgated thereunder. This rule contains a provision directing member firms to establish and implement procedures reasonably designed to detect and cause the reporting of certain suspicious transactions.

NASD Conduct Rule 3011(a) requires FINRA members to establish and implement policies and procedures "that can be reasonably expected to detect and cause the reporting of" suspicious activity and transactions. On July 2, 2002, Treasury issued the regulation requiring suspicious transaction reporting for broker-dealers, 31 CFR §103.19(a)(1). That final regulation provides that a broker-dealer must report a transaction if: (a) the transaction is conducted or attempted by, at, or through a broker-dealer, (b) it involves or aggregates funds or other assets of at least \$5,000, and (c) the broker-dealer knows, suspects, or has reason to suspect that the transaction (or a pattern of transactions of which the transaction is a part):

- i. involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity;
- ii. is designed, whether through structuring or other means, to evade the requirements of the BSA;
- iii. appears to serve no business or apparent lawful purpose or is not the sort of transaction in which the particular customer would be expected to engage and the broker/dealer knows of no reasonable explanation after examining the available facts, including the background and possible purpose of the transaction; or
- iv. involves use of the broker/dealer to facilitate criminal activity.

See NtM 02-47.

CP Capital's AML compliance procedures require CP Capital to monitor for, among others, the following red flags:

- (a) The customer's account shows an unexplained high level of account activity with very low levels of securities transactions;
- (b) The customer's account has a large number of wire transfers to unrelated third parties inconsistent with the customer's legitimate business purpose;
- (d) The customer's account indicates large or frequent wire transfers, immediately withdrawn by check or debit card without any apparent business purpose;
- (e) Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.

CP Capital failed to implement its AML compliance program in that it failed to monitor transactions in certain accounts for the red flags set forth above. As a result of the foregoing, CP Capital violated NASD Conduct Rules 3011(a) and 2110 and MSRB Rule G-41.

(5) Violations of Section 17(a) of the Securities and Exchange Act of 1934, SEC Rule 17a-4, and NASD Conduct Rules 3110 and 2110:

SEC Rule 17a-4(b) requires every member firm to preserve for at least three years "(o)riginals of all communications received and copies of all communications sent (and any approvals thereof) by the member, broker or dealer . . . relating to its business." SEC Rule 17a-4(f) further requires preservation and maintenance of originals and copies of all electronic correspondence relating to the firm's securities business. NASD Rule 3110 requires FINRA members to comply with SEC Rule 17a-4. Between January 2005 and September 2007, CP Capital failed to preserve email

correspondence in accordance with SEC Rule 17a-4 and NASD Rule 3110. As a result of the foregoing, CP Capital violated Section 17(a) of the Securities and Exchange Act of 1934, SEC Rule 17a-4, and NASD Conduct Rules 3110 and 2110.

(6) Violation of SEC Rule 15c3-1 and NASD Conduct Rule 2110:

On March 27, 2006, CP Capital received a check from an investor representing that investor's investment in the CPAA #1 offering. CP Capital failed to timely forward the check to the escrow agent. Instead, CP Capital inadvertently held the check at the broker-dealer from March 27 until May 5, 2006. As a result, CP Capital held customer funds while conducting a securities business, and became subject to a net capital requirement of \$250,000, a requirement it did not satisfy.

As a \$5,000 broker-dealer conducting the CPAA #1 offering, CP Capital was required to establish an escrow account at an unaffiliated bank, with the bank acting as escrow agent. The escrow account established in connection with the CPAA #1 offering used an attorney as the escrow agent on the escrow account. Investor funds were deposited into the escrow account between March 1 and May 25, 2006. As a result, CP Capital held customer funds during the March 1 to May 25, 2006, time period while conducting a securities business. By holding customer funds, CP Capital became subject to a net capital requirement of \$250,000, a requirement it did not satisfy. As a result of the foregoing, CP Capital violated SEC Rule 15c3-1 and NASD Conduct Rule 2110.

B. CP Capital also consents to the imposition of the following sanctions:

Censure and a fine of \$21,500.¹

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

CP Capital 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.

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.

II.**WAIVER OF PROCEDURAL RIGHTS**

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

- A. To have a Complaint issued specifying the allegations against CP Capital;
- B. To be notified of the 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, CP Capital 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.

CP Capital further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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**

CP Capital 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 the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove

any of the allegations against CP Capital; and

C. If accepted:

1. this AWC will become part of CP Capital's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against CP Capital;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about CP Capital's disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. CP Capital 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. CP Capital 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 CP Capital's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

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

The undersigned, on behalf of CP Capital, certifies that a person duly authorized to act on CP Capital's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that CP Capital has 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 CP Capital to submit it.

CP Capital Securities, Inc.

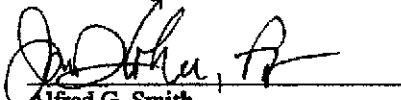
By:


Harold L. Connell, President

Date

4-7-2009

Reviewed by:


Alfred G. Smith

Counsel for Respondent
Shutts & Bowen, LLP
1500 Miami Center
201 South Biscayne Boulevard
Miami, Florida 33131
(305) 358-6300

Accepted by FINRA:

Date

2/25/09

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


Brian D. Donnelly
Principal Regional Counsel
FINRA Department of Enforcement
2500 N. Military Trail
Boca Raton, FL 33431-6324
(561) 443-8120, Fax (561) 443-7998