

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 20080160618**

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

RE: Janet L. Gentry, Respondent  
General Securities Representative and General Securities Principal  
CRD No. 2261667

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Janet L. Gentry ("Gentry"), 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 me alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. I 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**

Gentry entered the securities industry in 1992. From March 1992 to June 2006, Gentry was associated with six FINRA member firms. From July 2006 to December 2009, Gentry was associated with Blue Trading, LLC n/k/a Navpoint. LLC ("Blue Trading" or the "Firm"). On December 14, 2009, Gentry voluntarily terminated her employment with Blue Trading. From December 7, 2011 to the present, Gentry has been associated with another FINRA member firm.

**RELEVANT DISCIPLINARY HISTORY**

Gentry has no disciplinary history.

## **OVERVIEW**

During the period April 2008 to March 2009 (the "relevant period"), Gentry was the Anti-Money Laundering ("AML") Compliance Officer, Chief Compliance Officer, and designated principal responsible for supervisory controls at Blue Trading. In April 2008, Blue Trading opened a branch in Hackensack, New Jersey (the "Hackensack Branch") and brought on a new line of business, involving the deposit of large blocks of thinly-traded, unregistered securities in certificate form, the immediate liquidation of those positions, and the wiring out of the proceeds. Gentry failed to establish and implement policies and procedures reasonably expected to detect and cause the reporting of suspicious activities occurring at the Hackensack Branch, failed to file Suspicious Activity Reports ("SARs"), and failed to conduct due diligence and obtain the required certification for a foreign correspondent account opened at the branch. Gentry also failed to establish, maintain, and enforce adequate written supervisory procedures, and failed to establish, maintain, and enforce a system of supervisory control policies and procedures.

By engaging in this conduct, Gentry violated: NASD Rules 3011(a), 3011(b), and 2110 and FINRA Rule 2010; NASD Rules 3010(b) and 2110 and FINRA Rule 2010; and NASD Rules 3012 and 2110 and FINRA Rule 2010.

## **FACTS AND VIOLATIVE CONDUCT**

### **A. AML**

During the relevant period, Gentry was the AML Compliance Officer at Blue Trading. In that capacity, she was responsible for, among other things, implementing the Firm's written AML procedures, monitoring for and investigating suspicious activity and filing SARs if appropriate, and conducting due diligence for foreign correspondent accounts. Gentry failed in these responsibilities in that she: (1) failed to establish and implement policies and procedures reasonably expected to detect and cause the reporting of suspicious activities occurring at the Hackensack Branch; and (2) failed to conduct due diligence and obtain the required certification for a foreign correspondent account opened at the Hackensack Branch.

#### **1. NASD Rules 3011(a) and 2110 and FINRA Rule 2010**

NASD Rule 3011(a) requires members to establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of suspicious activity and transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder.

NASD Rule 2110, which was in effect until December 15, 2008, and FINRA Rule 2010, which replaced NASD Rule 2110,<sup>1</sup> requires that registered representatives "observe high standards of commercial honor and just and equitable principals of trade."

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<sup>1</sup> See FINRA Regulatory Notice 08-57, which describes certain changes to FINRA's rules including the change of NASD Rule 2110 to FINRA Rule 2010, effective December 15, 2008.

According to the Firm's written AML procedures, Gentry was responsible for monitoring for and investigating suspicious activity and filing SARs if appropriate.<sup>2</sup> Gentry was required to review stock trading on a spot basis and identify "red flags" that may signal possible money laundering or terrorist financing. Upon detecting any red flag, Gentry was required to conduct an investigation that may include gathering additional information internally or from third-party sources, contacting the government, freezing the account, or filing a SAR.

During the relevant period, Gentry failed to establish and implement policies and procedures reasonably expected to detect and cause the reporting of suspicious activity occurring at the Hackensack Branch. The suspicious activity involved the deposit and immediate liquidation of large blocks of penny stocks in certificate form, often in the accounts of more than one customer, by certain customers with questionable backgrounds, and often at times when the securities were subject to publicity campaigns that included suspicious claims. The suspicious activity involved the deposit and sale of approximately 7.3 billion shares of 17 securities in 13 accounts held by nine customers for proceeds of over \$2.6 million.

As a result, Gentry violated NASD Rules 3011(a) and 2110 and FINRA Rule 2010.

**b. NASD Rules 3011(b) and 2110 and FINRA Rule 2010**

NASD Rule 3011(b) requires members to establish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder.

31 CFR 103.176(a) requires firms to "establish a due diligence program that includes appropriate, specific, risk-based, and, where necessary, enhanced policies, procedures, and controls that are reasonably designed to . . . detect and report, on an ongoing basis, any known or suspected money laundering activity conducted through or involving any correspondent account established, maintained, administered, or managed . . . in the United States for a foreign financial institution."

31 CFR 103.177(d)(2) requires firms to obtain required certification for a foreign correspondent account, or close the account. "[I]f the covered financial institution has not obtained a certification (or recertification), or has not otherwise obtained documentation of the information required by such certification (or recertification) within 30 calendar days after the date the account is established, and at least once every three years thereafter, the covered financial institution shall close all correspondent accounts with such foreign bank within a commercially reasonable time, and shall not permit the foreign bank to establish any new positions or execute any transaction through any such account, other than transactions necessary to close the account."

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<sup>2</sup> Special NASD Notice to Members ("NTM 02-21") states that members must look for signs of suspicious activity that suggest money laundering and, if a red flag is detected, additional due diligence should be performed before proceeding with the transaction. NTM 02-21 also identifies 25 examples of red flags that could indicate potential suspicious activity. See also Notice to Members 02-47 (Anti-Money Laundering: Treasury Issues Final Suspicious Activity Reporting Rule for Broker/Dealers).

A violation of these rules and regulations constitutes a violation of NASD Rule 2110 and FINRA Rule 2010.

According to the Firm's written AML procedures, the Firm did not maintain foreign correspondent accounts. The Firm's written AML procedures required Gentry to detect foreign correspondent accounts by requesting corporate documents and a certificate of filing for all correspondent accounts. The written AML procedures also required Gentry to perform mandatory enhanced due diligence of any foreign correspondent accounts detected, including obtaining and reviewing documentation from the foreign bank about its own AML program and evaluating the effectiveness of its AML program at detecting and preventing money laundering, conducting enhanced monitoring of account activity, obtaining information about sources and beneficial ownership of funds, and identifying persons with trading authority.

In April 2008, a foreign correspondent account was opened at the Hackensack Branch. Gentry failed to detect the existence of the account and failed to conduct any due diligence, including an assessment of AML risks, with respect to the account. Gentry also failed to update the account documentation for the account or obtain the required certification within 30 calendar days after the account was opened.

Accordingly, Gentry violated NASD Rules 3011(b) and 2110 and FINRA Rule 2010.

**B. Written Supervisory Procedures - NASD Rules 3010(b) and 2110 and FINRA Rule 2010**

NASD Rule 3010(b) requires firms to "establish, maintain, and enforce written procedures" that supervise its business and the activities of its associated persons, in order to achieve compliance with applicable securities laws and FINRA rules. A violation of NASD Rule 3010(b) constitutes a violation of NASD Rule 2110 and FINRA Rule 2010.

During the relevant period, Gentry was the Chief Compliance Officer at Blue Trading. In that capacity, she was responsible for establishing, maintaining, and enforcing the Firm's written supervisory procedures. In July 2006 when Gentry joined the Firm, she adopted the written supervisory procedures from Blue Trading's predecessor firm. Gentry failed to update the written supervisory procedures when the Firm opened the Hackensack Branch. During the relevant period, the written supervisory procedures failed to adequately address penny stock transactions or sales of unregistered securities, and failed to address or adequately address over 20 other business activities at the Firm.

Accordingly, Gentry violated NASD Rules 3010(b) and 2110 and FINRA Rule 2010.

**C. Supervisory Control Policies and Procedures - NASD Rule 3012 and NASD Rule 2110 and FINRA Rule 2010**

NASD Rule 3012(a)(1)(A)-(B) requires, in relevant part, that a member designate a principal who shall establish, maintain, and enforce a system of supervisory control policies and procedures that test and verify that the member's supervisory procedures are reasonably designed

with respect to the activities of the member to achieve compliance with applicable securities laws and regulations, and submit to the member's senior management no less than annually, a report detailing each member's system of supervisory controls.

NASD Rule 3012(a)(2)(A) and (C) requires, in relevant part, that a member ensure that their procedures are reasonably designed to review and supervise the customer account activity conducted by, among others, producing branch managers, and to ensure that their procedures are "reasonably designed to provide heightened supervision over the activities of each producing manager who is responsible for generating 20% or more of the revenue of the business units supervised by the producing manager's supervisor."

A violation of NASD Rule 3012 constitutes a violation of NASD Rule 2110 and FINRA Rule 2010.

During the relevant period, Gentry was the designated principal responsible for compliance with NASD Rule 3012 at Blue Trading. In that capacity, she was responsible for, among other things, establishing, maintaining, and enforcing a system of supervisory control policies and procedures to test and verify that the Firm's supervisory procedures were reasonably designed with respect to the activities of the Firm.

In April 2008, Blue Trading opened a Hackensack Branch and brought on a new line of business. The new business line, which involved the deposit and sale of large blocks of thinly traded, unregistered securities in certificate form, was overseen by a producing branch manager and represented approximately 24% of the Firm's profits in 2008. Nonetheless, during the relevant period, Gentry failed to take steps to test and verify that Blue Trading's procedures were reasonably designed to detect and prevent manipulative and fraudulent trading activity. The Rule 3012 verification reports prepared by Gentry in March 2008 and March 2009 failed to address the business at the Hackensack Branch. In addition, although Gentry's Rule 3012 verification reports stated that she had conducted testing on insider trading, outside business activities, and outside securities accounts, she was unable to provide documentation of such testing. During the relevant period, Gentry also failed to ensure that the Firm's system of supervisory controls was reasonably designed to review and supervise the customer account activity conducted by five producing branch managers at the Firm, and reasonably designed to provide heightened supervision over the activities of the producing branch manager at the Hackensack Branch.

Accordingly, Gentry violated NASD Rules 3012 and 2110 and FINRA Rule 2010.

B. I also consent to the imposition of the following sanctions:

- A two-month suspension from association with any FINRA firm in any principal capacity; and
- A \$5,000 fine.

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

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

## **II.**

### **WAIVER OF PROCEDURAL RIGHTS**

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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, I specifically and voluntarily waive 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.

I further specifically and voluntarily waive 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**

I 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 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 me; and
- C. If accepted:
  - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
  - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. I 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. I 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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.

12/13/2011  
Date

Janet L. Gentry  
Janet L. Gentry, Respondent

Reviewed by:  
AS  
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Accepted by FINRA:

2/7/12  
Date

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

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