

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009015969501**

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

RE: Bulltick Securities, LLC, Respondent
Member Firm
BD No. 132092

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, 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 it alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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

Bulltick Securities, LLC ("BSLLC") has been a member of FINRA since December 17, 2004. BSLLC employs approximately 14 registered persons. It has no FINRA disciplinary history.

OVERVIEW

From approximately July 2008 through December 2009 (the "relevant time period"), BSLLC made transaction-based payments to a non-registered foreign finder, whose activities required registration. The firm also failed to develop and implement a reasonably-designed written Anti-Money Laundering Compliance Program ("AMLCP"). Among other things, the firm's AML procedures did not address the certain aspects of the firm's foreign finder business that presented AML risks.

In addition, BSLLC did not monitor, detect and investigate suspicious circumstances relating to one of the accounts introduced by a foreign finder, and, if appropriate, file a Suspicious Activity Report ("SAR"), despite multiple "red flags." BSLLC also failed to establish, maintain and/or enforce a supervisory system and supervisory procedures reasonably designed to achieve compliance with applicable rules and regulations relating to its foreign finder business and to the securities transactions and trading activity in one of its customer accounts.

This conduct violated NASD Conduct Rules 2420, 3010, 3011 and 2110, NASD Membership and Registration Rule 1060, and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. Improper Transaction-Based Payments to a Non-Registered Foreign Finder

During the relevant time period, BSLLC's sole business entailed executing securities transactions on behalf of Latin American customers referred to the firm by foreign asset managers ("foreign finders"). BSLLC conducted business with the asset managers through referral agreements that required it to pay the foreign finders approximately 75% of the gross commissions generated through securities transactions in the referred accounts.

The foreign finders were not registered with FINRA. Instead, in making the referral payments, BSLLC relied on NASD Membership and Registration Rule 1060, which allows member firms to pay transaction-based compensation to non-registered foreign finders (without requiring those entities/individuals to register) based upon the business of customers they direct to the firm provided that certain specified conditions are satisfied.

Rule 1060, among other things, requires that: the finders are foreign nationals or foreign entities domiciled abroad; member firms assure themselves that the nonregistered foreign persons/entities who receive compensation are not required to register in the United States as a broker-dealer; the customers are foreign nationals or foreign entities domiciled abroad; and that the confirmation for each transaction indicates that a referral or finder's fee is being paid pursuant to an agreement.

The findings herein concern BSLLC's relationship with CLA, a non-registered foreign finder domiciled in the Bahamas. CLA signed a referral agreement with BSLLC in July 2007.

During the relevant time period, CLA referred approximately 70 customer accounts to BSLLC that generated gross commissions of approximately \$600,000 through the unsolicited, short-term trading of collateralized mortgage obligations ("CMOs"). BSLLC paid CLA approximately \$400,000 in net commissions from this amount.

BSLLC's relationship with CLA, however, failed to satisfy the requirements of Rule 1060. For example, after CLA referred the foreign customers to BSLLC, the securities trades in those accounts were managed by DCG, a non-registered affiliate of CLA that conducted its operations from Miami, Florida. DCG is not a foreign asset manager.

DCG's Office Manager or President would provide BSLLC with the daily trading instructions for the CLA-referred accounts. BSLLC, however, never obtained evidence confirming that DCG was authorized to effect securities transactions in the CLA-referred accounts.

Additionally, BSLLC paid CLA approximately \$82,000 for transactions in the account of JC, a United States citizen. Furthermore, BSLLC did not evaluate whether DCG's role in the transactions required DCG or CLA to register in the United States as a broker-dealer. Finally, BSLLC's confirmations for transactions in the CLA-referred accounts failed to state that it was paying a referral or finder's fee.

By making transaction-based payments to a non-registered foreign finder that did not satisfy the conditions of Rule 1060, BSLLC violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 2420, NASD Membership and Registration Rule 1060, and FINRA Rule 2010 (for conduct after December 14, 2008).

2. Failure to Develop and Implement A Reasonable AMLCP

The CMO trading decisions and strategy in the CLA-referred accounts was directed, in part, by JC, who was purportedly a consultant with DCG. JC is a former registered representative, United States citizen and Florida resident. JC opened an account in his name with BSLLC in July 2008, shortly after he had voluntarily resigned from a FINRA member firm. BSLLC maintained JC's account along with the CLA-referred accounts of foreign customers (sharing the same account number prefix).

JC had a disciplinary history at the time he opened his BSLLC account. In January 2006, he consented to an injunction in an SEC civil action charging him with the sale of \$1.2 million of unregistered securities in violation of Section 5 of the Securities Act of 1933.

BSLLC was aware of this enforcement action and, in opening his account, the firm tasked RK, a registered principal, with providing “heightened supervision” over JC’s account. Although BSLLC implemented monthly principal reviews by RK of the activity in JC’s account, this procedure was insufficient for the reasons further discussed below.

In May 2009, approximately ten months after JC opened his account at BSLLC, the SEC again charged him with violations of the federal securities laws. The SEC alleged that JC had participated in a scheme involving the fraudulent sale of CMOs at his prior firm. BSLLC learned about the SEC action against JC shortly after it was filed. Nevertheless, JC’s account remained open and continued to trade.

During the relevant time period, JC routinely engaged in cross-trades of CMOs with other CLA-referred accounts. In many instances, JC would purchase the CMOs for his account from another broker-dealer and re-sell the positions at substantially higher prices to other CLA customers. As a result of the differences in the prices of these cross-trades, JC profited on the majority of the CMO transactions in the CLA-referred accounts. From July 2008 through November 2009, JC’s account made a profit of approximately \$1.83 million.

BSLLC did not reject any trades in JC’s account until July 2009, when it cancelled an order to sell a CMO position from JC’s account to two other CLA-referred accounts because the execution prices for the two purchases were different. Further, in August 2009, BSLLC terminated its relationship with CLA. BSLLC, however, never conducted a review of the CMO transactions in the CLA-referred accounts to determine if there were other transactions with discrepancies.

Throughout the relevant time period, BSLLC had a written AMLCP that covered, among other things, monitoring for, detecting and reporting of suspicious activities. The firm’s procedures specified that its “Designated Principal” (its AML Compliance Officer (“AMLCO”) and others would determine whether a particular account or transaction must be reported based upon a lengthy list of “red flags” of possible misconduct.

During the relevant time period, however, BSLLC failed to monitor for, detect and appropriately investigate suspicious transactions conducted by JC and, if appropriate, file a SAR, despite multiple “red flags” related to these transactions. Those “red flags,” each of which corresponded to a “red flag” identified in the firm’s procedures, included, among other things, the following facts:

- the short-term trading activity of CMO securities conducted through JC’s account, which was generally inconsistent with the long-term investment horizon associated with such investments;
- JC’s disciplinary history with the SEC;

- the volume of cross-trades involving JC and the CLA-referred accounts, which appeared to have no business purpose other than to enrich JC;
- the fact that the pricing of JC's cross-trades differed from the prices the firm received from its clearing firm for the same securities;
- the differences in the prices on the cross trades (ranging from 6% to 85%) involving JC's account and the profits JC obtained; and
- the July 2009 transactions (discussed above) involving disparate pricing in a JC cross-trade involving other CLA-referred accounts.

BSLLC also failed to develop and implement a reasonably-designed written AMLCP because the firm's procedures did not address the AML risks presented by certain aspects of its foreign finder business and CMO trading.

By failing to develop and implement a reasonably-designed written AMLCP, BSLLC violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 3110(a) and FINRA Rule 2010 (for conduct after December 14, 2008).

3. Supervisory Failures Regarding the CLA-Referred Accounts

During the relevant time period, BSLLC failed to establish and maintain a supervisory system, and establish, maintain and enforce written supervisory procedures, reasonably designed to achieve compliance with applicable rules and regulations relating to its foreign finder business and the CMO transactions and trading activity in the CLA-referred accounts. For example:

- RK, the BSLLC principal responsible for supervising the securities activity in the CLA-referred accounts, had no experience prior to joining BSLLC regarding CMOs, which rendered his monthly review of JC's account and implementation of the heightened supervision inadequate. In addition, the firm failed to establish written supervisory procedures pertaining to CMOs. Moreover, the firm's supervisory procedures did not address how it would obtain, monitor and conduct due diligence on pricing for these securities;
- BSLLC failed to establish a system or written supervisory procedures that addressed the payment of transaction-based compensation to foreign finders made pursuant to NASD Membership and Registration Rule 1060 and related registration issues. The firm further failed to ensure that its relationships with the foreign finders satisfied the criteria of Rule 1060 for payment of transaction-based compensation to those entities; and
- BSLLC failed to enforce its written supervisory procedures requiring it to obtain trading authorization for third-party transactions

By failing to establish and maintain a supervisory system, and establish, maintain and enforce written supervisory procedures, that were reasonably designed to achieve compliance with applicable rules and regulations, BSLLC violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 3010 and FINRA Rule 2010 (for conduct after December 14, 2008).

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

- a censure and \$125,000 fine.

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

Respondent specifically and voluntarily waives any right to claim that it is 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

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

- A. To have a Complaint issued specifying the allegations against it;
- 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, Respondent 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.

Respondent 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

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

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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 BSLLC, certifies that a person duly authorized to act on its 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 the firm 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 the firm to submit it.

Bulltick Securities, LLC

11/14/2011
Date

By: [Signature]
Jared Wilson
Chief Compliance Officer

Reviewed by:

[Signature]
Ivan Harris, Esq.
Counsel for Respondent
Morgan, Lewis & Bockius, LLP
200 S. Biscayne Blvd.
Miami, Florida 33131
(305) 415-3398

Accepted by FINRA:

12/13/11
Date

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

A handwritten signature in dark ink, appearing to read 'Mike', is written over a horizontal line.

Michael J. Newman
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