

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009016149901**

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

RE: Centrade Securities Corp., Respondent
Member Firm
CRD No. 131914

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

Centrade Securities Corp. ("Centrade") has been a member of FINRA since December 17, 2004. Centrade employs two registered persons and is headquartered in Israel. The firm maintains approximately 20-25 customer accounts and generates most of its revenues from one institutional client. Centrade does not have a FINRA disciplinary history.

OVERVIEW

From February 2006 through February 2009 (the "relevant period"), Centrade failed to implement a reasonably designed anti-money laundering ("AML") compliance program. Specifically, Centrade failed to adequately monitor for, detect and investigate suspicious transactions involving a customer's account.

This conduct violated NASD Conduct Rules 3011(a) and 2110 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

A. Background: SHA

On or about January 6, 2004, SHA opened an account with Centrade. SHA is the brother of a well-known Israeli celebrity. On Centrade's new account form, SHA listed his employment status as "self-employed" and his occupation as "computers/insurance." The new account form also identified SHA's income range as "\$65,000-\$124,999."

In March 2009, the Israeli police arrested SHA on suspicion of defrauding dozens of Israeli entertainers and television personalities of hundreds of thousands of dollars.¹ In public reports of the arrest, it was alleged that SHA had received large investments from investors by promising them substantial profits and providing them with account statements showing false returns.

B. Failure to Implement AML Procedures

During the relevant period, Centrade's written AML compliance procedures required it to monitor accounts for potentially suspicious activity and AML "red flags," investigate potentially suspicious activity and report it by filing a SAR-SF as appropriate. Centrade's procedures at the time identified a non-exhaustive list of "red flags" signaling possible suspicious activity, including the following:

- a. The transaction involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds derived from illegal activity.
- b. The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil or regulatory violations;
- c. The customer wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the customer's stated business strategy; and
- d. The customer's account has unexplained or sudden extensive wire activity, especially in accounts that had little or no previous activity.

¹ The Israeli criminal authorities did not charge Centrade or any of its principals in connection with the action against SHA.

During the relevant period and in contravention of AML requirements and its own procedures, Centrade failed to adequately monitor for, detect and investigate suspicious transactions notwithstanding multiple "red flags" presented by the trading in SHA's account. In most instances, that suspicious activity related to one or more of the "red flag" categories identified in the firm's AML compliance procedures, including the following: substantial fluctuations in SHA's account value during the period in which the account was maintained at the firm; unexplained and extensive wire activity, including, a large number of third-party incoming wires (some of which originated from international banks) and a wire transfer from SHA's account for \$39,000 sent to a country identified as a known money laundering risk and bank secrecy haven.

By failing to adequately monitor for, detect and investigate suspicious transactions involving a customer's account, Centrade violated NASD Conduct Rules 3011(a) and 2110 (for conduct before December 15, 2008), and FINRA Rule 2010 (for conduct after December 14, 2008).

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

- a censure and fine of \$15,000.²

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payments are 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 waive 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.

² 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

Respondent specifically and voluntarily waive 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 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.

Respondent 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

Respondent understands that:

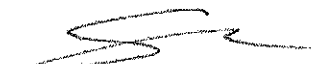
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

- 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 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 Respondent, certifies that a person duly authorized to act on its behalf has read and understand 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.

Centrade Securities Corp.

10/25/2011
Date (mm/dd/yyyy)

By: 

Sharon Rashti
President

Accepted by FINRA:

11/15/2011
Date

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



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