

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
No. 2009016159201**

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

RE: Martinez-Ayme Securities, Respondent
Member Firm
CRD No. 109838

Alfredo F. Ayme, Respondent
General Securities Principal
CRD No. 1531433

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents, Martinez-Ayme Securities and Alfredo F. Ayme, 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

Martinez-Ayme Securities

Martinez-Ayme Securities ("MAS") has been a member of FINRA since August 2001. The firm maintains its principal place of business in Miami, Florida and employs approximately thirteen registered individuals. MAS conducts a general securities business, clearing its transactions through another member firm.

Alfredo F. Ayme

Alfredo F. Ayme ("Ayme") became registered with FINRA as a Series 62 corporate securities representative on March 13, 1997. Subsequently, Ayme obtained Series 24, 55 and 63 licenses.

From January 2001 through the present, Ayme has been associated with MAS. While associated with MAS, Ayme has served as its Vice-President, Chief Compliance Officer and Anti-Money Laundering ("AML") Compliance Officer. Prior to his association with MAS, Ayme was associated with several other FINRA member firms at different times.

RELEVANT DISCIPLINARY HISTORY

In 2005, pursuant to an AWC with FINRA, MAS and Ayme were fined \$5,000, jointly and severally, for permitting two individuals to act in registered capacities while their registrations were inactive due to their failures to satisfy the regulatory element of their continuing education requirements.

In addition, in 2002, the Maryland Division of Securities censured MAS for conducting securities transactions in Maryland prior to obtaining approval to do so.

OVERVIEW

MAS and Ayme violated NASD Rules 3011(a) and (c) and 2110 and FINRA Rule 2010 by failing to adequately implement its AML compliance program. In several instances, MAS, acting through Ayme, failed to detect, analyze, and/or report highly suspicious transactions. Furthermore, MAS, acting through Ayme, also failed to conduct independent testing of its AML program.

In addition, MAS violated: (1) Section 15(c)(2) of the Securities Exchange Act of 1934 ("Exchange Act"), SEC Rule 15c2-4 and NASD Rule 2110, by failing to establish escrow accounts in connection with two contingency offerings; (2) Section 10(b) of the Exchange Act, SEC Rule 10b-9 and NASD Conduct Rule 2110, by extending the offering period without sending timely written reconfirmation offers to investors after initially failing to satisfy the minimum contingency of a private placement offering of securities; and (3) Section 15(c) the Exchange Act, SEC Rule 15c3-1, NASD Rule 2110 and FINRA Rule 2010, by conducting a securities business while its net capital was deficient.

FACTS AND VIOLATIVE CONDUCT

AML Deficiencies

NASD Rule 3011 requires members to "develop and implement a written anti-money laundering program reasonably designed to achieve and monitor the member'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." Rule 3011 also requires members to "[e]stablish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder." The U.S. Department of the Treasury issued a regulation requiring broker-dealers to report suspicious transactions by filing a Form SAR-SF ("SAR-SF") with its Financial Crimes Enforcement Network (31 CFR § 103.19(a)(1)). Section (a)(2) of that regulation requires the reporting of a transaction:

if it is conducted or attempted by, at, or through a broker-dealer, it involves or aggregates funds or other assets of at least \$5,000, and 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 (including, without limitation, the ownership, nature, source, location, or control of such funds or assets) as part of a plan to violate or evade any federal law or regulation or to avoid any transaction reporting requirement under federal law or regulation;
- ii. Is designed, whether through structuring or other means, to evade any requirements of this part or any other regulations promulgated under the Bank Secrecy Act;
- iii. Has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the broker-dealer knows of no reasonable explanation for the transaction 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.

It is not necessary for a broker-dealer to prove that a customer has engaged in illegal activity or to have actual knowledge of illicit or unlawful trading by a customer; rather, it is sufficient that the broker-dealer have reason to suspect that a transaction or series of transactions involve unlawful activity or lack an apparent lawful purpose. The Treasury also has advised broker-dealers to determine whether activity raises suspicions by monitoring for various "red flags." FINRA *Notice to Members ("NtM") 02-21* emphasizes members' duties to detect "red flags" and, if detected, to perform additional due diligence before proceeding with a suspicious transaction. In addition, *NtM 02-21* sets forth a non-exhaustive list of 25 AML "red flags," including, without limitation, the following:

- 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.
- The customer exhibits a lack of concern regarding risks, commissions, or other transaction costs.

- The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.
- The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of securities, such as penny stocks, Regulation S stocks, and bearer bonds, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity).
- The customer makes a funds deposit followed by an immediate request that the money be wired out or transferred to a third party, or to another firm, without any apparent business purpose.

From September 2006 through April 2009, MAS's AML program required it to monitor for potentially suspicious activity and AML "red flags," investigate potentially suspicious activity, and report suspicious activity by filing a SAR-SF as appropriate. From September 2006 through April 2009, the firm's AML program required Ayme to do such monitoring, investigating, and reporting. However, MAS and Ayme failed to adequately implement or enforce the firm's AML program and to otherwise comply with their AML obligations, as they did not identify and analyze numerous transactions to determine if they were in fact suspicious and were required to be reported on a SAR-SF.

For example, MAS and Ayme permitted several customers who had been found liable for securities-related violations, such as securities fraud to journal millions of shares of various penny stocks into their accounts (some of whom maintained multiple accounts). In each instance, the stock was promptly sold, and the proceeds from the transactions were wired out of the accounts, in some cases to offshore bank accounts.

Similarly, MAS and Ayme permitted customer EL, an attorney who had been fined and enjoined by the SEC from violating the registration provisions of the Securities Act of 1933 as a result of his unregistered sales of securities, to deposit thousands of shares of approximately 15 different penny stocks into EL's account at the firm. After the attorney furnished his own opinion letters, the stocks were sold, and the proceeds from the transactions were, at various times, ultimately disbursed by check to EL.

In another instance, MAS and Ayme permitted an individual, who according to FINRA's BrokerCheck had been discharged by another member firm in connection with an unauthorized trading investigation, to open an account at MAS in the name of a corporation that he controlled. The customer had no prior relationship with MAS or Ayme and had "called out of the blue" to open the account at MAS. Shortly after opening the account, the customer journaled 250,000 shares of a penny stock into the account. Immediately upon receipt of the shares, the customer requested that they be sold, sought an early payout prior to the settlement date and requested to have a wire transfer for "as much as possible" claiming that he "was in a serious bind." Based on this request, MAS and Ayme immediately sold the stock, wired the proceeds out of the account and charged the account an early payout fee.

MAS and Ayme conducted no AML review of these foregoing accounts and the activity therein and therefore failed to either detect or investigate the "red flags." If MAS and Ayme had detected the questionable backgrounds of these customers, the deposits and liquidations of the penny stocks, and the wiring activity, they could have investigated the activity to determine whether it warranted SAR-SF filings. Rather, MAS and Ayme permitted these suspicious activities to occur undetected and unchecked and failed to file SAR-SFs as appropriate. As a result of such conduct, MAS and Ayme violated NASD Rule 3011(a) and 2110 and FINRA Rule 2010.

In addition, NASD Rule 3011(c) requires member firms to conduct an annual independent test for compliance with applicable AML laws, rules and regulations. IM-3011-1 provides that annual independent tests may not be conducted by a person who performs the functions being tested. In 2006 and 2007, MAS conducted tests for compliance with applicable AML laws, rules and regulations. However, such tests were not independent, as they were conducted by a firm employee who performs AML functions as part of his regular job responsibilities. As a result of such conduct, MAS and Ayme violated NASD Rules 3011(c) and 2110.

Contingency Offering Violations

From June through August 2007, MAS acted as a placement agent for a contingency offering of securities ("Offering #1"). Pursuant to SEC Rule 15c2-4, MAS, in connection with the offering, was required to: (a) establish an escrow account at an unaffiliated bank, with the bank acting as escrow agent; or (b) establish a separate bank account, independent of MAS's operating account and identified as being for the benefit of the offering, with MAS acting as the agent or trustee on the account until the offering contingency was satisfied. The offering documents used in connection with Offering #1 did not provide for the use of an escrow account or separate bank account. Rather, investors in Offering #1 were directed to transmit their funds directly to the issuer prior to the contingency being satisfied. MAS's failure to establish an escrow or separate bank account in connection with the offering constitutes a willful violation of Section 15(c)(2) of the Exchange Act, SEC Rule 15c2-4, and NASD Rule 2110.

From September 2007 through January 2008, MAS acted as a placement agent for a contingency offering of securities ("Offering #2"). The offering documents used for Offering #2 also did not provide for the use of an escrow account or separate bank account. Rather, investors in Offering #2 were directed to transmit their funds directly to the issuer prior to the contingency being satisfied. MAS's failure to establish an escrow or separate bank in connection with the offering constitutes a willful violation of Section 15(c)(2) of the Exchange Act, SEC Rule 15c2-4, and NASD Rule 2110.

Pursuant to the terms of Offering #2, the issuer had to raise \$200,000 by October 31, 2007 or return any funds raised to the investors. SEC Rule 10b-9 requires that investor funds from a contingency offering be returned to the investors if the stated minimum proceeds of the offering are not raised by the deadline specified in the offering. As of October 31, 2007, the issuer had not raised \$200,000. Offering #2, however, was not terminated and investor funds were not returned. Rather, the offering period was extended, and between November 1, 2007 and January

7, 2008, MAS raised additional funds for Offering #2. 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 offers are sent to subscribers far enough in advance so that a 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, MAS willfully violated Section 10(b) of the Exchange Act, SEC Rule 10b-9, and NASD Rule 2110.

Net Capital Violations

On various dates from October 31, 2008 through April 29, 2009, MAS failed to comply with the requirements of Section 15(c) of the Exchange Act and SEC Rule 15c3-1 thereunder, in that it used the instrumentalities of interstate commerce to conduct a securities business while failing to maintain its minimum required net capital. Specifically, on October 31, 2008, MAS received two stock certificates from a customer. MAS held the certificates until April 29, 2009, when they were returned to the customer. By holding this customer's securities, MAS became subject to a net capital requirement of \$250,000, a requirement that it did not satisfy. Furthermore, on various dates from October 31, 2008 through April 29, 2009, MAS conducted a securities business. As a result of such conduct, MAS violated Section 15(c) of the Exchange Act, SEC Rule 15c3-1, NASD Rule 2110 and FINRA Rule 2010.

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

Martinez-Ayme Securities is censured and fined \$21,000.¹

Ayme is suspended from association with any FINRA member firm in a principal capacity for three months and fined \$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 fines 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.

Respondents understand that this settlement includes finding that MAS willfully violated Sections 10(b) and 15(c)(2) of the Exchange Act and SEC Rules 10b-9 and 15c2-4 and that under Article III, Section 4 of FINRA's By-Laws, this makes the firm subject to a statutory disqualification with respect to membership.

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.

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 FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against them;
- 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, Respondents 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.

Respondents 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

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 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 Respondents; and

C. If accepted:

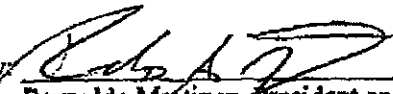
1. This AWC will become part of Respondents' permanent disciplinary records and may be considered in any future actions brought by FINRA or any other regulator against them;
2. This AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondents' disciplinary records;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; 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' rights 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.

Ayme certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he 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 him to submit it.

The undersigned, on behalf of MAS, certifies that he is duly authorized to act on MAS'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 MAS 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 MAS to submit it.

Martinez-Ayme Securities

By 
Reynaldo Martinez, President and CEO

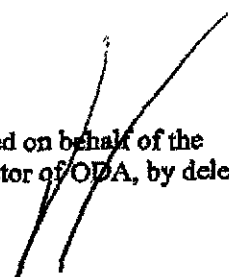
09-29-09
Date


Alfredo F. Ayme

09-29-09
Date

Accepted by FINRA:

10/16/09
Date


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

David B. Klafter, Esq.
Deputy Regional Chief Counsel
FINRA Department of Enforcement
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Boca Raton, FL 33431-6324
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Corrective Action Statement

**Letter of Acceptance, Waiver and Consent
(Exam Nos. 20080117031 & 20090161594)**

1. Anti-Money Laundering Deficiencies

MAS personnel are very mindful of their responsibilities under the compliance program set forth in FINRA Rule 3011 and their responsibilities under FINRA Rules 3011 and 2010. The Firm constantly updates its Supervisory Procedures and Compliance Manual, the most recent revision having been made on June 30, 2009. The Manual contains the detailed policies of the Firm and its Anti-Money Laundering Program.

MAS has tightened its supervision and every member of the Firm is aware of these policies, his or her responsibilities and is aware of the "red flags" which could signal possible money laundering or terrorist financing endeavors. MAS never allows and has never allowed funds from accounts to be wired transferred to third parties. Notwithstanding, funds may be wiretransferred to the customer who holds the account.

Every customer and every transaction is now carefully analyzed in order to determine if they are suspicious and if they are required to be reported on Form SAR-F.

MAS is now in compliance with FINRA Rule 3011(c) and conducts an annual independent test for compliance with the applicable AML laws, rules and regulations. The last such test was conducted on October 28, 2008 by Marjorie Dorris, E.A., Compliance Examiner. MAS has implemented all of the recommendations set forth in this examination.

MAS now regularly includes the Customer Identification Program and the Identity Theft Prevention Program in its Continuing Education Program to all of its registered and unregistered personnel. Its clearing firm, First Southwest Company, checks all of MAS' customer's backgrounds in the McDonald Database, which provides extensive account background information. Additionally, in order to ensure that all steps are taken to verify identities, in addition to the principal approving new accounts, Julian L. Alfonso, our Compliance Assistant also initials each new account form.

2. Contingency Offering Violations

These violations refer to two private placements dated June, 2007 and September, 2007 with a minimum amounts to be raised of \$500,000 and \$200,000 respectively by Powerverve, Inc.

The offering documents prepared by the issuer in the first offering did not provide for the use of an escrow account or separate bank account in which the funds would be held until

the minimum amount was reached. Instead, the investors were instructed to send the funds which they intended to invest directly to the issuer.

The offering documents prepared by the issuer in the second offering also did not provide for the use of an escrow account or separate bank account in which the funds would be held until the minimum amount was reached. Instead, the investors also were instructed to send the funds which they intended to invest directly to Powerverde, Inc. Additionally, the second offering was extended without the written consent of the prior subscribers when the minimum amount was not reached by the deadline specified in the offering documents, although consents to the extension were received by MAS verbally.

MAS has implemented further review procedures to avoid this from happening in the future. Additionally, all offering documents for private placements that are to be handled by MAS will be reviewed by MAS's attorney prior to the commencement of any offering.

3. Net Capital Violations

During the Routine Annual 2009 Examination conducted by FINRA, it was discovered that two stock certificates were being held in a customer account file pending pickup by a customer at MAS's Boca Raton Branch office, who failed to pick them up even after the manager of the Boca Raton Branch office instructed the owner of the stock certificates to do so. In the meantime, a sales assistant mistakenly placed the certificates in the customer's account folder for safe keeping until the customer came in, which is against company policy. Subsequently, the sales assistant left the employ of MAS and the stock certificates were not discovered until the examination.

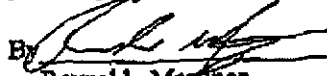
MAS is aware that the proper procedure is to return the certificates immediately to the customer or to have them sent directly to MAS' clearinghouse, which is what is normally done. Holding them is never done under any circumstances, this being the first time in the eight years of existence of MAS that this has happened.

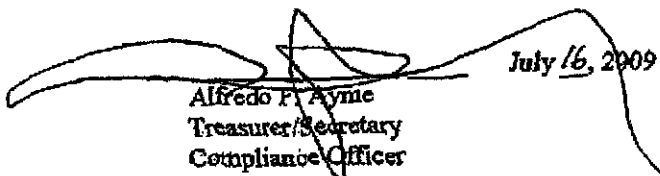
At a meeting held at the main office on June 30, 2009, the issue of the certificates was discussed with all registered and unregistered personnel and they were instructed again about this regulation.

The Boca Raton Branch office was closed by MAS on June 30, 2009.

This Corrective Action Statement is submitted by the Respondents. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff. Respondents neither admit nor deny the findings.

Martinez-Ayme Securities

By  July 16 2009
Reynaldo Martinez,
President, CEO

 July 16, 2009
Alfredo P. Ayme
Treasurer/Secretary
Compliance Officer