

LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009016309801

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

RE: Success Trade Securities, Inc., Respondent (46027)
Fuad Ahmed (CRD #2404244)

Pursuant to Rule 9216 of FINRA's Code of Procedure, Respondents 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

Success Trade Securities, Inc ("STS" or "the firm") has been a member of FINRA since March 11, 1999. STS is majority owned by its parent organization, Success Trade, Inc, with the remainder owned by Fuad Ahmed. The firm's main office is located in Washington, DC and it currently has one branch office, located in McLean, Virginia.

STS is an online deep-discount brokerage firm that operates under two divisions: Just2Trade and LowTrades. The firm's online accounts generate the vast majority of its revenues through commissions on equity (95%) and options (5%) trades. STS processes approximately 19,000 customer transactions per month.

Fuad Ahmed (CRD #2404244) ("Ahmed") entered the securities industry in 1993, as a stockbroker at a registered firm. He worked at four different registered firms in the Washington, DC, area before starting STS in 1998. During the period October 2007 through May 2010, Ahmed served as President, Chief Executive Officer ("CEO"), Chief Compliance Officer

(“CCO”), Anti-Money Laundering Compliance Officer (“AMLCO”)¹ and FINOP of STS. He also served as the President of STS’ parent company, Success Trade Inc.

RELEVANT DISCIPLINARY HISTORY

On June 29, 2009, FINRA fined STS \$5,000 for conducting a securities business while failing to maintain required net capital in violation of section 15(c) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 15c3-1 thereunder and NASD Rule 2110 (AWC No. 2009017221101).

Ahmed has no prior disciplinary history.

OVERVIEW

Between October 6, 2007, and May 2, 2010 (“the review period”), STS violated various NASD, FINRA and SEC Rules. Throughout the review period, STS failed to implement an adequate Anti-Money Laundering (“AML”) program. As such, the firm failed to institute policies and procedures that were reasonably tailored to detect and cause the reporting of suspicious transactions. The firm’s customer identification program was inadequate. The firm also failed to perform adequate annual independent testing of its AML program. STS and Ahmed thereby violated FINRA Rules 3310 and 2010 and NASD 3011 and 2110.²

On four dates between March 31, 2009, and June 5, 2009, STS violated Section 15(c) of the Exchange Act, Exchange Act Rule 15c3-1 thereunder, and FINRA Rule 2010 when it conducted a securities business while failing to maintain its required minimum net capital. On those four dates, STS had a net capital deficiency ranging from \$19,672 to \$36,327. On those same dates, STS prepared and maintained inaccurate books and records and submitted inaccurate FOCUS reports in violation of Section 17(a) of the Exchange Act, Exchange Act Rules 17a-3 and 17a-5 thereunder, and FINRA Rule 2010. Ahmed violated FINRA Rule 2010 by causing his firm’s violations.

Further, during the review period, STS failed to report 39 customer complaints and other required disclosures in violation of NASD Rules 3070 and 2110 and FINRA Rule 2010.

Also, between April 2009 and May 2010, the firm failed to obtain FINRA required approval before implementing material changes to the firm’s business model, in violation of NASD Rule 1017(a) and FINRA Rule 2010.

During the review period, STS and Ahmed failed to establish, maintain and enforce an adequate supervisory system and procedures in violation of NASD Rules 3010 and 2110 and FINRA Rule 2010. In addition, STS specifically violated NASD Rule 2821 and FINRA Rule 2330 in that it

¹ As of April 2010 STS hired a new CCO and AMLCO.

² On December 15, 2008, NASD Rule 2110 became FINRA Rule 2010. On January 1, 2010, NASD Rule 3011 became FINRA Rule 3310.

failed to have in place a supervisory system and procedures governing deferred variable annuities.

FACTS AND VIOLATIVE CONDUCT

Violation of FINRA Rules 3310 and 2010 and NASD Rules 3011 and 2110 – Deficiencies in the firm’s Anti-Money Laundering Compliance Program (“AMLCP”)

Throughout the relevant period, STS was a deep discount on-line brokerage firm. It provided an on-line platform for customers trading in securities at a very low cost, generally \$2.50 per trade at Just2Trade and \$4.95 per trade at LowTrades. The business model allowed customers to open accounts over the internet without significant contact between the broker and the customer. The firm offered a broad range of investment products, and provided customers with access to enter orders for securities on-line. As a result, the firm was required to tailor its AML Compliance Program specifically to its business model, including its on-line account business, and have the program approved in writing by a member of its senior management.

Ahmed, as the designated AML Compliance Officer, had full responsibility for the firm’s AML compliance program. His responsibilities included monitoring the firm’s compliance with AML obligations, overseeing communication and training for employees, ensuring the creation and maintenance of proper anti-money laundering records and ensuring the timely filing of Suspicious Activity Reports, when warranted.

NASD Rule 3011(a)/FINRA Rule 3310(a)

NASD Rule 3011(a) and FINRA Rule 3310(a) require firms to establish and implement policies, procedures, and internal controls that can be reasonably expected to detect and cause the reporting of suspicious transactions as required by the Bank Secrecy Act and the implementing regulations thereunder.

A firm’s obligation is not a one-size-fits-all requirement and each financial institution should tailor its AML program to fit its business. In this regard, each broker-dealer, in developing an appropriate AML program, should consider factors such as its size, location, business activities, the types of accounts it maintains, and the types of transactions in which its customers engage.³

In NTM 02-21, FINRA specifically instructed on-line firms, which generally do not meet or speak directly with clients, to acquire information about customers and make maximum use of other means of verifying customer identity, such as the electronic databases Equifax, Experion, Lexis/Nexis, or other in-house custom databases.⁴

³ Special NASD Notice to Members 02-21 at 4.

⁴ Special NASD Notice to Members 02-21 at 7.

NASD Rule 3011(b)/FINRA Rule 3310(b)

Throughout the review period, STS and Ahmed did not implement an adequate customer identification program. At a minimum, firms are required to obtain certain information from customers and to verify the identity of any customer seeking to open an account and to maintain records of information to verify a customer's identity. However, out of a sample of 120 accounts, the firm could not produce any customer information, and in fact, had no account record at all (such as a new account form) for 24 accounts. STS could also not evidence that it had verified the identity of these 24 accounts. Additionally, for the accounts that did have proper identification paperwork, some of the customer identification paperwork provided to the firm and placed in the customer files was completely illegible.

During the relevant period, STS' AMLCP contained AML specific requirements, such as:

- Monitoring a sufficient amount of activity to permit identification of patterns of unusual size, volume, pattern or type of transactions, geographic factors, or any of the red flags identified in section 8b of the AMLCP;
- Maintaining a list of high risk-clients
- Following up on red flags such as;
 - a customer wishing to engage in transactions that lack business sense or apparent investment strategy;
 - a customer engages in transactions involving certain types of securities, such as penny stocks;
 - the customer maintains multiple accounts; and
 - the account has inflows or other assets well beyond the known income or resources of the customer.

However, there was little to no surveillance of accounts for suspicious activity. The firm did not utilize any exception reports. Ahmed obtained and manually reviewed bi-weekly reports from his clearing firm. These reports included all incoming and outgoing wire activity at the firm for a two week time period, but were not conducive to detecting any patterns or to identifying exceptions. Although Ahmed initialed the reports, there was no date to evidence that the reports were reviewed in a timely manner, and there were no notes or other documents to indicate Ahmed had reviewed or looked into any wires. Ahmed sampled and reviewed firm accounts on a monthly basis, but did not do so based on a relevant assessment of risk. Further, the account review did not include customer accounts. Additionally, the review was delegated to another principal of the firm who did not understand the review he was supposed to undertake and, therefore, did not conduct any meaningful review.

STS' procedures outlined red flags that required a follow up review. These included transactions that lacked a business purpose, customers with questionable backgrounds, customers that exhibited a lack of concern for transaction costs, customers maintaining multiple accounts for no apparent reason, unexplained wire activity, wires to countries presenting a money laundering

risk, deposits followed by requests to withdraw the funds without apparent purpose, and inflows of funds beyond the known resources of the customer.

STS did not follow up on any of the red flags noted in its AMLCP, did not maintain a list of high-risk customers, and did not monitor a sufficient amount of account activity to permit identification of patterns of unusual size, volume, geographic factors, etc. For example, STS should have detected and investigated red flags regarding the following transactions, but did not:

- Customer DY, a customer living in England, wired \$500,000 to a securities firm in Cyprus, on October 31, 2008. Less than two months later, on December 12, 2008, DY wired \$274,708 to the same location. STS and Ahmed failed to detect or follow up on the wiring of large sums of money to a securities firm in Cyprus, a jurisdiction considered by the US State Department to be one of primary concern for money laundering.
- Customer LFRG had an outgoing wire in the amount of \$5,339.91 on July 31, 2008, to the New York branch of a South American bank. The recipient was identified only as "X." The firm's procedures required STS both at account opening and on an ongoing basis to ensure that a customer did not appear on the Treasury's Office of Foreign Assets Control ("OFAC") list and was not from, or engaging in transactions with people or entities from embargoed countries and regions listed on the OFAC Website. With the receiving person or entity identified only as "X," there was no way to know with whom the customer was dealing. Additionally, the account was opened in January 2008 and all funds were wired out six months later, on July 31, 2008.
- Customer SB opened an account in July 2008 and over the next nine months engaged in suspicious wire activity. Within two months of opening the account, SB began to engage in a pattern of wires.

DATE	WIRED IN or OUT	AMOUNT
07/22/2008	IN	\$30,023
08/21/2008	IN	\$8,500
09/18/2008	OUT	\$47,500
09/22/2008	IN	\$28,000
10/03/2008	OUT	\$28,500
10/08/2008	IN	\$4,000
10/21/2008	OUT	\$3,000
11/04/2008	IN	\$6,000
11/14/2008	OUT	\$1,000
12/01/2008	OUT	\$1,000

01/09/2009	OUT	\$4,181
04/13/2009	OUT	\$2,000

Per STS' own procedures a customer account that had unexplained or sudden extensive wire activity should be flagged for further review. Therefore, the extensive in and out wiring of money from this account should have been noted as a red flag and triggered additional investigation. However, no further review occurred. Additionally, the two wire transactions conducted on September 22, 2008, and October 3, 2008, also should have raised a concern with STS and/or Ahmed. Per STS' procedures, a customer engaging in transactions that lacked business sense or apparent investment strategy, and a customer exhibiting a lack of concern regarding risks, commissions, or other transaction costs should have been identified as a red flag. Customer SB wired in \$28,000 and then two weeks later, wired that money out. This activity appeared to lack business purpose and should have been questioned.

STS and Ahmed failed to detect and follow-up on these red flags indicating that a customer may be engaging in improper and/or illegal activities.

Additionally, STS failed to maintain evidence that its February 2009 AMLCP was approved in writing by a member of STS' management as required.

NASD Rule 3011(c)

Rule 3011(c) requires that a firm's AML program "provide for independent testing for compliance to be conducted by member personnel or by a qualified outside party." For 2008 and 2009, STS failed to comply with its Rule 3011(c) obligations. In 2008, the testing was patently inadequate. For example, the test:

- failed to review for suspicious activity, high-risk accounts, red flags, or customer account verification;
- indicated that several areas were "not applicable" when they clearly were;
- failed to include an independent sample to ensure that the firm was conducting adequate reviews for AML activity;
- failed to identify any accounts that were missing customer identification verification, despite more than 20 accounts in a staff sampling of 120 accounts that contained no evidence of customer verification;
- failed to indicate that the firm was not utilizing any AML exception reports even though AML-related exception reports were made available by the clearing firm.

NASD Rule 3011(e)

Moreover, in 2009, STS failed to conduct any independent testing of its anti-money laundering program whatsoever.

Additionally, STS failed to have an adequate training program for firm personnel with respect to AML issues in 2007 and 2008. Although the 2008 annual compliance meeting superficially touched on AML, it was not adequately tailored to the firm's business.

By virtue of the foregoing, STS and Ahmed violated NASD Rules 3011(a), (b), (c), and (e) and 2110 and FINRA Rules 3310(a) and (b) and 2010.

Violation of Exchange Act Rule 15c3-1 and FINRA Rule 2010 - Failure to Comply with Net Capital Requirements; and Exchange Rules 17a-3 and 17a-5 and FINRA Rule 2010 - Inaccurate Books and Records Relating to Net Capital

Section 15(c) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 15c3-1 thereunder, collectively known as Net Capital Rule, prohibits broker-dealers from engaging in a securities business if their net capital falls below certain amounts. Exchange Act Rule 15c3-1 is designed to ensure liquidity in the event that a broker-dealer encounters financial difficulty. The rule requires that a broker-dealer (a) have sufficient assets that are readily convertible to cash to cover its indebtedness to customers and other broker-dealers; (b) maintain a certain level of net capital relative to the firm's aggregate indebtedness; and (c) compute its net capital in accordance with a specified formula. If a firm is not in net capital compliance at day's end, the fact that it conducted a securities business at any point during the day is a violation of Exchange Act Rule 15c3-1.

Exchange Act Rule 15c3-1(c)(2) defines net capital as the net worth of a broker-dealer, with certain adjustments. Exchange Act Rule 15c3-1(c)(2)(iv) requires that when calculating its net capital, a broker-dealer must deduct fixed assets and assets that cannot be converted into cash.

Violations of Exchange Act rules are considered violations of FINRA Rule 2010.

Throughout the relevant period, STS introduced and forwarded customer accounts on a fully disclosed basis to its clearing firm, and therefore, pursuant to Exchange Act Rule 15c3-1(a)(2)(vi), their net capital requirement was a minimum of \$5,000.

During the month end period of March through May and early June, 2009, the firm conducted a securities business despite the fact that it failed to maintain its required minimum net capital. STS failed to conduct accurate net capital computations and consequently maintained deficient net capital on the following dates:

Date	Net Capital	Net Capital Requirement	Net Capital Deficiency
March 31, 2009	(\$14,672)	\$5,000	\$19,672
April 30, 2009	(17,838)	\$5,000	\$22,838
May 31, 2009	(\$29,164)	\$5,000	\$34,164
June 5, 2009	(\$31,327)	\$5,000	\$36,327

The firm failed to conduct an accurate net capital computation for each of the above mentioned dates. The inaccurate computations were primarily due to inaccurate net capital treatment of a

clearing firm deposit upon termination of the clearing relationship, improper booking of expenses and liabilities, and the firm's failure to accurately classify allowable versus non allowable assets.

Because of the above noted discrepancies, STS failed to prepare an accurate general ledger and trial balance and quarterly FOCUS report for the quarters associated with the net capital deficiencies. By virtue of the foregoing, STS violated Section 15(c) and 17(a) of the Exchange Act, Exchange Act Rules 15c3-1, 17a-3 and 17a-5(a) and FINRA Rule 2010.

As STS's FINOP, Ahmed was at all times responsible for ensuring that STS complied with its net capital and books and records obligations. By causing the firm's violations, Ahmed violated FINRA Rule 2010.

Violation of NASD Rule 3070 – Failure to Report Customer Complaints and other Disclosures

NASD Rule 3070 requires firms to "promptly report ... whenever such member or person associated with the member ... is the subject of any written customer complaint involving allegations of theft or misappropriation of funds or securities or of forgery."

During a sample review of November 24, 2008 through December 31, 2008, STS failed to report 39 relevant customer complaints. Additionally, STS failed to accurately and timely file nine customer complaints.

By virtue of the foregoing, STS violated NASD Rules 3070 and 2110 and FINRA Rule 2010.

NASD Rule 1017(a) – Application for Approval or Change in Ownership/Control/Business Operations

NASD Rule 1017 requires firms to file an application for approval of a material change to its business model. During the period April 2009 to May 2010, the firm implemented material changes to its business model without obtaining prior FINRA approval. Specifically, the firm engaged in five municipal securities trades without obtaining the appropriate approval from FINRA.

For the foregoing reasons, the firm violated NASD Rule 1017 and FINRA Rule 2010.

Violation of NASD Rules 3010, 2821 and 2110 and FINRA Rules 2330 and 2010 – Failure to Establish, Maintain, and Enforce an Adequate Supervisory System and Procedures

Rule 3010 requires firms to establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations. As part of this supervisory system, each firm must establish and maintain written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives and associated persons. Final responsibility for proper supervision rests with the firm. Throughout the relevant

period, Ahmed, as President and Chief Compliance Officer of the firm, was responsible for establishing and maintaining the supervisory system and procedures for the firm.

During the relevant period, STS and Ahmed failed to establish and implement an adequate supervisory system and enforce its written procedures in several areas. For example, STS and Ahmed failed to maintain current information regarding Forms U4 and Uniform Branch Office Registration ("BR") and failed to obtain fingerprints when required to do so. STS and Ahmed also failed to prevent non-registered individuals from acting in a registered capacity. Three unlicensed individuals had day-to-day responsibilities that required the firm take their fingerprints, yet the firm failed to do so. Further, the firm and Ahmed failed to maintain advertising material, failed to timely file advertising material with FINRA Advertising Regulation, and failed to comply with the content standards for advertising material.

Also, during the relevant period, NASD Rule 2821(d) and FINRA Rule 2330(d) required specific supervisory procedures tailored to the firm's deferred variable annuity business. STS failed to establish written supervisory procedures governing variable annuity exchanges.

By virtue of the foregoing, STS and Ahmed violated NASD Rules 3010 and 2110 and FINRA Rule 2010. STS also violated NASD Rule 2821 and FINRA Rule 2330.⁵

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

Success Trade Securities, Inc.

- A fine of \$100,000; and
- A censure.

Fuad Ahmed

- A fine of \$10,000;
- 60 day principal suspension; and
- 16 hours of continuing education related to AML compliance in a program not unacceptable to FINRA. The training must be completed within six months after the issuance of this AWC. Within thirty (30) days following completion of the training, Respondent must provide FINRA with written proof of completion.

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 Respondents propose to pay the fine 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.

⁵ NASD Rule 2821 became FINRA Rule 2330 on February 8, 2010.

Respondent Ahmed understands that if he is barred or suspended from associating with any FINRA member in a principal capacity, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, he may not be associated with any FINRA member in a principal capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because he is subject to a statutory disqualification during the suspension, if he remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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 Respondents;
- 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

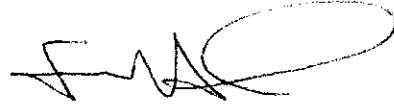
Respondents understand that:

- 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 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 Respondents’ 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. 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 my right 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 Respondents 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.

Respondents certify that Respondents have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that Respondents 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.

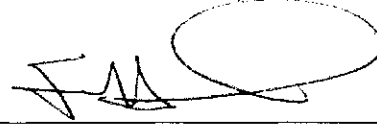
1/31/12

Date (mm/dd/yyyy)



Respondent
Success Trade Securities, Inc.

By:



1/31/12

Date (mm/dd/yyyy)



Respondent
Fuad Ahmed

Reviewed by:



Richard A. Levan Esq.
Counsel for Respondent
Wiggins and Dana LLP
50 S. 16th Street, Suite 2925
Philadelphia, PA 19102
215-988-8316

Accepted by FINRA:

February 22, 2012
Date

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

A handwritten signature in black ink, appearing to be "Lane Thurgood", written over a horizontal line.

Lane Thurgood, Director, Enforcement Center
FINRA Department of Enforcement
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