

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

vs.

TRADESPOT MARKETS INC.  
(CRD No. 29683)

and

MARK B. BELOYAN  
(CRD No. 1392748),

Respondents.

Disciplinary Proceeding  
No. 2009017590801

Hearing Officer – MAD

**ORDER ACCEPTING OFFER OF  
SETTLEMENT**

Date: August 4, 2011

**INTRODUCTION**

Disciplinary Proceeding No. 2009017590801 was filed on December 1, 2010, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondents TradeSpot Markets Inc. and Mark B. Beloyan (Respondents) submitted an Offer of Settlement (Offer) to Complainant dated August 3, 2011. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

000052228 2011

Under the terms of the Offer, Respondents have consented, without admitting or denying the allegations of the Complaint, 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, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA.

### **BACKGROUND**

TradeSpot is a FINRA member and has been a member since March 1992. The firm maintains its principal place of business in Davie, Florida. The firm currently employs three registered persons. TradeSpot conducts a general retail securities business.

In July 1985, Beloyan registered with FINRA as a General Securities Representative. He subsequently acquired Series 24, 27, and 63 licenses. Since July 1985, Beloyan has been associated with several FINRA members. He is currently associated with TradeSpot and has been associated with the firm since January 1992.

### **FINDINGS AND CONCLUSIONS**

It has been determined that the Offer be accepted and that findings be made as follows:

1. Between approximately May 14 and December 16, 2008, TradeSpot, through Beloyan, sold 1,137,336,333 shares of low-priced Heritage Capital Credit Corp. stock ("HCPC") for one of their customers. The shares of HCPC were neither registered with the SEC nor exempt from registration. By selling the stock for their customer, TradeSpot and Beloyan acted in contravention of Section 5 of the Securities Act of 1933 and violated NASD Conduct Rule 2110 and FINRA Rule 2010.

2. In addition, between April and December 31, 2008, TradeSpot, through Beloyan, the firm's Chief Compliance Officer ("CCO"), failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to ensure compliance with Section 5 (*i.e.*, the applicable rules and regulations regarding the distribution of unregistered and non-exempt securities). As a result of the foregoing, TradeSpot and Beloyan violated NASD Conduct Rules 3010(a) and (b) and 2110 and FINRA Rule 2010.

3. At various times between April 2008 and February 2009, TradeSpot, through Beloyan, the firm's anti-money laundering compliance officer ("AMLCO"), failed to implement or enforce the firm's anti-money laundering ("AML") program by failing to identify suspicious activity, properly investigate it, and report it through Form SAR-SF, as appropriate. The suspicious activity consisted of: deposits of billions of shares of the low-priced stock of four issuers, in certificate form, into two accounts controlled by a person with a regulatory and criminal history; liquidation of those shares generally soon after their deposit; and wiring of the sales proceeds out of the accounts soon after liquidation. As a result of the foregoing, TradeSpot and Beloyan violated NASD Conduct Rules 3011(a) and 2110 and FINRA Rule 2010.

4. TradeSpot is a FINRA member and has been such since March 1992.

5. TradeSpot currently has one branch office in Davie, Florida and approximately three registered persons.

6. The firm operates a general retail securities business.

7. By virtue of its current FINRA membership, FINRA possesses jurisdiction over TradeSpot under Article IV of its By-Laws.

8. In July 1985, Beloyan registered with FINRA as a General Securities Representative. He subsequently acquired Series 24, 27, and 63 licenses.

9. Beloyan is currently associated with TradeSpot. He has been associated with the firm since 1992.

10. Beloyan is the sole owner of TradeSpot. Since at least April 2008, he has served as the firm's President, CCO, AMLCO, and Financial and Operations Principal (FINOP).

11. Beloyan also served as the registered representative on the two accounts at issue.

12. By virtue of his current registration with FINRA and his current association with TradeSpot, FINRA possesses jurisdiction over Beloyan under Article V of its By-Laws.

13. In March 2006, customer RE opened an account at TradeSpot with Beloyan.

14. In May 2008, RE opened an account for AE, a company of which he was, and still may be, the sole officer and director, at TradeSpot with Beloyan.

15. Prior to opening the accounts, RE had been the subject of disciplinary actions by both the NASD and SEC.

16. Prior to opening the accounts, Beloyan was aware that RE had settled a matter with the SEC, but he was unaware of any NASD matters involving RE.

17. In December 2008 -- after the subject accounts had been opened at TradeSpot with Beloyan -- the SEC filed a Complaint against RE and AK, wherein it alleged that they had engaged in a fraudulent scheme to manipulate the market for a stock.

18. In December 2008, the United States Department of Justice ("DOJ") obtained an Indictment against RE and AK for conspiring to violate SEC Rule 10b-5 and for violating that Rule.

19. Beloyan became aware of both the criminal and SEC matters involving RE by December 2008.

20. As detailed below, between April 2008 and February 2009, RE and AE deposited nearly five billion shares of low-priced stock of four issuers, in certificate form, into their respective accounts.

21. They then liquidated all of those shares, typically soon after depositing them, and wired the proceeds out of the account, typically soon after the liquidations.

22. The liquidations of the shares of those four stocks generated gross sales proceeds of approximately \$663,000 and gross commissions paid to TradeSpot of approximately \$25,000.

23. Between April 2008 and February 2009, an 11-month period of time, the trades at issue in the two accounts accounted for approximately 38% of TradeSpot's gross commissions.

24. Between April and November 2008, RE deposited 3,451,336,471 shares of Wi-Fi TV stock ("WIFT"), in certificate form, into his account at TradeSpot with Beloyan.<sup>1</sup> During that same time period, TradeSpot, through Beloyan, liquidated all of those shares of WIFT (643,457,716 shares), generating proceeds of \$144,903 for RE.

25. Between May and September 2008, AE deposited 1,437,333,333 shares of HCPC, in certificate form, into its account at TradeSpot with Beloyan.<sup>2</sup> Between May 14 and December 16, 2008, TradeSpot, through Beloyan, liquidated all of those shares of HCPC (1,137,336,333 shares), generating proceeds of \$135,476 for AE.

26. In July 2008, RE deposited 1,000,000 shares of Platina Energy Group stock ("PLTG"), in certificate form, into his non-qualified account at TradeSpot with Beloyan.

---

<sup>1</sup> On approximately June 30, 2008, the symbol of the stock was changed from WTVN to WIFT and the stock split one share for 1,000. RE sold shares of WIFT before and after the stock split.

<sup>2</sup> In December 2008, Heritage Capital Credit Corp. changed its name to Protective Capital Structures Corp. and its stock split one share for 100,000 shares. AE sold shares of HCPC before and after the stock split.

Between July and August 2008, TradeSpot, through Beloyan, liquidated all of those shares of PLTG, generating proceeds of \$111,622 for RE.

27. Between September 2008 and January 2009, RE deposited 34,475,245 shares of Dakshidin Corp. stock ("DKSC"), in certificate form, into his non-qualified account at TradeSpot with Beloyan. Between September 2008 and February 2009, TradeSpot, through Beloyan, sold all of those shares of DKSC, generating proceeds of \$271,252 for RE.

28. The Department realleges and incorporates Paragraphs 1 through 27 by reference.

29. The aforementioned 1,137,336,333 shares of HCPC that TradeSpot, through Beloyan, sold for AE were not registered with the SEC, and no exemption from registration applied to them.

30. Upon information and belief, AE obtained all of the unregistered shares of HCPC through offerings purportedly made under Rule 504 of Regulation D.

31. Rule 504 provides an exemption from the registration requirements of Section 5. Rule 504 generally provides that stock under this exemption can be freely sold if it is issued pursuant to an applicable state law registration exemption. However, Rule 504's exemption is unavailable if the unregistered securities are acquired with a view towards distribution or if the offering and sale of the unregistered securities are part of a scheme to evade the registration requirements of Section 5.

32. AE acquired the shares of HCPC directly from the issuer, Heritage Capital; deposited the shares into its account with TradeSpot within days of acquiring them; and then sold the majority of the shares within several days to a few weeks after depositing them into its account. AE did not deposit more shares of HCPC into its account until shortly after it had liquidated the previously-deposited shares.

33. On or about May 8, 2008, AE obtained 179 million shares of HCPC, in certificate form, from Heritage Capital. On approximately May 12, 2008, it deposited the shares into its account at TradeSpot with Beloyan. From approximately May 14-27, 2008, TradeSpot, through Beloyan, sold all of those shares for AE on a national over-the-counter market.

34. On or about May 29, 2008, AE obtained 250 million shares of HCPC, in certificate form, from Heritage Capital. On approximately June 2, 2008, it deposited the shares into its account at TradeSpot with Beloyan. From approximately June 16-17, 2008, TradeSpot, through Beloyan, sold all of those shares for AE on a national over-the-counter market.

35. On or about June 30, 2008, AE obtained 208,333,333 shares of HCPC, in certificate form, from Heritage Capital. On approximately July 2, 2008, it deposited the shares into its account at TradeSpot with Beloyan. From approximately July 10-15, 2008, TradeSpot, through Beloyan, sold all of those shares for AE on a national over-the-counter market.

36. On or about July 28, 2008, AE obtained 350 million shares of HCPC, in certificate form, from Heritage Capital. On approximately July 30, 2008, it deposited the shares into its account at TradeSpot with Beloyan. From approximately August 4-19, 2008, TradeSpot, through Beloyan, sold all of those shares for AE on a national over-the-counter market.

37. On or about August 20, 2008, AE obtained 150 million shares of HCPC, in certificate form, from Heritage Capital. On approximately August 22, 2008, it deposited the shares into its account at TradeSpot with Beloyan. From approximately August 27-September 2, 2008, TradeSpot, through Beloyan, sold all of those shares for AE on a national over-the-counter market.

38. On or about September 4, 2008, AE obtained 300 million shares of HCPC, in certificate form, from Heritage Capital. On approximately September 8, 2008, it deposited the shares into its account at TradeSpot with Beloyan.

39. In a September 12, 2008 press release, the DOJ announced that it had indicted EJ and GJ, who controlled Heritage Capital, for numerous fraud-related offenses. The Indictment alleges that EJ and GJ, through Heritage Capital, had engaged in a fraudulent scheme.

40. From approximately December 11-16, 2008, TradeSpot, through Beloyan, sold its remaining 3,000 shares of HCPC for AE on a national over-the-counter market.<sup>3</sup>

41. Despite the suspicious nature of the AE's activity in HCPC, the suspicious nature of the activity in RE's non-qualified account, and RE's regulatory and criminal history, TradeSpot, through Beloyan, failed to conduct the necessary due diligence to determine whether they were participating in a scheme to evade the registration requirements of Section 5 by selling AE's shares of HCPC.

42. TradeSpot and Beloyan generally relied exclusively on TradeSpot's clearing firm to determine whether the subject shares of HCPC were registered or exempt from registration. Indeed, they did not even acquire a copy of the relevant stock certificates or documents regarding AE's acquisition of the shares.

43. In sum, TradeSpot, through Beloyan, participated in the illicit distribution of more than 1 billion shares of unregistered and non-exempt HCPC stock.

44. As a result of the foregoing, TradeSpot and Beloyan acted in contravention of Section 5 of the Securities Act and violated NASD Conduct Rule 2110 (from approximately May

---

<sup>3</sup> As noted above, in December 2008, HCPC split one share for 100,000 shares.

14, 2008 through December 14, 2008) and FINRA Rule 2010 (from approximately December 15-16, 2008).

45. NASD Conduct Rule 3010(a) requires firms to “establish and maintain a system to supervise activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules.”

46. Under NASD Rule 3010(b), these systems must be documented in the firm’s written supervisory procedures. The procedures also must be tailored to the business lines in which the firm engages, and they also must set out mechanisms for ensuring compliance and for detecting violations, and not merely set out what conduct is prohibited.

47. Between April and December 2008, TradeSpot, through Beloyan, its President and CCO, failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to ensure compliance with Section 5. During that period of time, TradeSpot, through Beloyan, did not have adequate procedures to prevent the sale of unregistered and non-exempt securities.

48. Specifically, the firm, through Beloyan, failed to establish and maintain procedures regarding the distribution of such securities in connection with its clearing firm’s acceptance of the delivery of shares of stock in certificate form and its customers’ subsequent sales of the same.

49. TradeSpot’s written supervisory procedures did not require that an inquiry be conducted into whether deposited shares of stock were registered with the SEC or exempt from registration.

50. TradeSpot relied almost exclusively on its clearing firm to determine whether deposited shares of stock were registered or exempt from registration.

51. As TradeSpot's President and CCO, Beloyan had sole responsibility for the adequacy of the firm's supervisory procedures, as well as the content of its written supervisory procedures.

52. As a result of the foregoing, TradeSpot and Beloyan violated NASD Conduct Rule 3010(a) and (b) (from April 2008 through December 2008), NASD Conduct Rule 2110 (from April 2008 through December 14, 2008), and FINRA Rule 2010 (from December 15, 2008 through December 31, 2008).

53. Since at least 2003, the Bank Secrecy Act, the implementing regulations thereunder, and NASD/FINRA rules have required member firms to monitor for possible suspicious activity, investigate such activity, and report such activity by filing a Form SAR-SF, as appropriate.

54. Since at least April 2008, TradeSpot's written AML policies and procedures required Beloyan, the firm's AMLCO, to identify, investigate, and report suspicious activity.

55. Between April 2008 and February 2009, TradeSpot's written AML policies and procedures identified several AML "Risk Indicators," including the following:

- (a) The customer, or a person publicly associated with the customer, has a questionable background, including prior criminal convictions, or is the subject of news reports indicating possible criminal, civil or regulatory actions;
- (b) For no apparent reason, the customer has multiple accounts under a single name or multiple names;
- (c) The customer frequently delivers securities in certificate form, particularly thinly traded low priced securities; and

(d) The customer actively engages in transactions involving certain types of securities, such as Regulation S, penny stocks or bearer bonds in conjunction with other risk factors.

56. Between April 2008 and February 2009, TradeSpot's written AML policies and procedures required the firm, through Beloyan, to perform additional due diligence on activity that appears to be suspicious; and to report such activity, through Form SAR-SF, if after performing such additional due diligence, Beloyan still had concerns about the activity and knew, suspected, or had reason to suspect that the activity met the criteria for filing a SAR-SF.

57. The foregoing activity in the accounts of RE and AE included certain of the above "Risk Indicators" set forth in the firm's written AML policies and procedures.

58. Despite the presence of the foregoing "Risk Indicators" and despite the appearance of the activity at issue on multiple exception reports, TradeSpot, through Beloyan, either failed to identify or chose to ignore the suspicious activity, and thus failed to investigate and report the activity, in contravention of federal laws, NASD/FINRA rules, and the firm's AML policies and procedures.

59. TradeSpot, through Beloyan, should have detected the suspicious nature of the activity, investigated the activity, and reported the activity through Form SAR-SF.

60. In sum, TradeSpot, through Beloyan, failed to implement or enforce the firm's AML program by failing to identify suspicious activity, properly investigate it, and report it through Form SAR-SF.

61. As a result of the foregoing, TradeSpot and Beloyan violated NASD Conduct Rule 3011(a) (from April 2008 through February 2009), NASD Conduct Rule 2110 (from April 2008 through December 14, 2008), and FINRA Rule 2010 (from December 15, 2008 through February 2009).

Based on the foregoing, Respondents violated NASD Conduct Rules 3010(a) and (b), 3011(a), and 2110 and FINRA Rule 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondents from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

### **SANCTIONS**

It is ordered that TradeSpot be censured and fined \$25,000.

It is ordered that Beloyan be suspended from association with any FINRA member in all capacities for one month and suspended from association with any FINRA member in a principal capacity for an additional month.

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

Beloyan has submitted a sworn financial statement and demonstrated an inability to pay. In light of the financial status of Beloyan, no monetary sanctions have been imposed upon him.

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

SO ORDERED.

FINRA

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

A handwritten signature in cursive script, reading "Michael A. Gross", is positioned above a horizontal line.

Michael A. Gross, Esq.  
Senior Regional Counsel  
Authorized House Counsel  
Member of Ohio Bar Only  
FINRA – Department of Enforcement  
2500 N. Military Trail, Suite 302  
Boca Raton, FL 33431-6324  
Phone: (561) 443-8125  
Fax: (561) 443-7998