

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010021255501**

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

RE: Oriental Financial Services, Corp., Respondent
FINRA Member Firm
BD No. 29753

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Oriental Financial Services, Inc. ("Oriental") 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 Oriental alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

A. Oriental 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

Oriental Financial Services Corp. is registered with the Securities and Exchange Commission as a broker-dealer and has been a member of FINRA since January 1, 1993. Oriental engages in a general securities business and other non-securities businesses. Oriental has its main office located in San Juan, Puerto Rico, maintains six branch offices and employs 49 registered representatives. Oriental generated revenues of almost \$10 million during the last four quarters.

OVERVIEW

Oriental failed to file customer complaint statistical information in a timely manner, in violation of NASD Conduct Rules 3070(c) and 2110 and FINRA Rule 2010. Furthermore, Oriental failed to disclose certain reportable events, in violation of NASD Conduct Rules 3070(a) and 2110 and FINRA Rule 2010. In addition, Oriental failed to file Form U4s and U5s in a timely manner, in violation of Article V, Sections 2 and 3 of FINRA's By-Laws and NASD Conduct Rule 2110 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. Oriental Made Inaccurate and Untimely Rule 3070(c) Filings

NASD Conduct Rule 3070(c) requires member firms to report statistical and summary information regarding customer complaints to FINRA. A customer complaint is defined by the Rule as "any written grievance by a customer involving the member or person associated with a member."

FINRA requires specified information regarding each customer complaint to be filed by the 15th day of the month following the calendar quarter in which the complaint is received.

During the period from July 22, 2008 through November 15, 2010, Oriental filed 10 of 17 statistical and summary reports of customer complaints in an untimely manner. These untimely reports included reports that were delayed by up to 397 days. In addition, four reports filed by Oriental were inaccurate in that they were incomplete. Specifically, the reports failed to disclose certain information required by FINRA.

Such acts, practices and conduct constitute separate and distinct violations by Oriental of NASD Conduct Rules 3070(c) and 2110 and FINRA Rule 2010 (for conduct commencing on December 15, 2008).

2. Oriental Failed to Report Rule 3070(a) Events as Required

NASD Conduct Rule 3070(a) requires members to promptly report the occurrence of any of ten enumerated reportable events, including for example: a written customer complaint involving allegations of misappropriation of funds; regulatory actions naming a broker as a defendant; denial of registration; broker indicted or convicted of a felony or misdemeanor involving theft, forgery, conversion, among other things; and settlement of securities related civil litigation or arbitration with an amount exceeding \$15,000. NASD Conduct Rule 3070(b) requires members to file a report with FINRA no later than 10 business days after they knew or should have known of the existence of any reportable event listed in Rule 3070(a).

During the period from November 20, 2007 through April 21, 2010, Oriental failed to make accurate and timely 3070(a) filings for reportable event disclosures in three instances.

Such acts, practices and conduct constitute separate and distinct violations by Oriental of NASD Conduct Rules 3070(a) and 2110 and FINRA Rule 2010 (for conduct commencing on December 15, 2008).

3. Oriental Failed to Timely File Amended Form U4s and U5s

Article V, Section 2(c) of FINRA's By-Laws provides that every application for registration filed with FINRA shall be kept current at all times by supplementary amendments, which must be filed within 30 days after learning of the facts or circumstances giving rise to the amendment. Article V, Section 3 of the By-Laws requires that a notice of termination (Form U5) be filed with FINRA within 30 days after an individual's association with a member firm is terminated. Section 2(c) requires that Form U5s be kept current at all times by supplementary amendments. When a new disclosable event occurs, a previously filed Form U5 becomes inaccurate or incomplete and must be amended. The amendment must be filed not later than 30 days after a member firm learns of facts or circumstances giving rise to the amendment.

During the period from November 5, 2008 through June 25, 2010, Oriental failed to timely amend five Form U4s and U5s. Such acts, practices and conduct constitute separate and distinct violations by Oriental of Article V, Sections 2 and 3 of FINRA's By-Laws, NASD Conduct Rule 2110 and FINRA Rule 2010 (for conduct commencing on December 15, 2008).

4. Oriental Failed to Enforce its Supervisory Procedures

NASD Conduct Rule 3010(b) requires each member to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of NASD. NASD Conduct Rule 3010(d)(2) specifically requires a firm to develop procedures "appropriate to its business, size, structure, and customers" for the review of incoming written correspondence to properly identify and handle customer complaints.

Oriental had procedures regarding NASD Conduct Rule 3070 reporting and filing Form U4s and U5s. However, Oriental failed to enforce such procedures to ensure the timely and accurate filing of the required information. Moreover, it appears that Oriental failed to adequately train the personnel assigned to these reporting tasks to ensure compliance with Oriental's reporting obligations.

Such acts, practices and conduct constitute separate and distinct violations by Oriental of NASD Conduct Rules 3010(b) and 2110 and FINRA Rule 2010 (for conduct commencing on December 15, 2008).

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

- A censure;
- A fine of \$15,000; and
- An undertaking to file the Rule 4530 event filings cited in **Attachment A** to this AWC with FINRA within 60 days of acceptance of this AWC, and submit to FINRA a certification that Oriental has complied with the requirements of this AWC.

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

Oriental 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

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

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

Oriental 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

Oriental 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 Oriental; and
- C. If accepted:
 - 1. This AWC will become part of Oriental's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Oriental;
 - 2. This AWC will be made available through FINRA's public disclosure program in response to public inquiries about Oriental'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. Oriental 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. Oriental 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 Oriental's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Oriental may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Oriental 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 the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC, and have 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 Oriental to submit it.

Oriental Financial Services, Corp.

3/27/2012
Date

By: Ana R. Suarez
Ana R. Suarez, CCO

Accepted by FINRA:

4/5/2012
Date

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

[Signature]
William Brice La Hue, Senior Regional Counsel
FINRA, Department of Enforcement
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ATTACHMENT A

FAILURE TO FILE 10-DAY EVENT DISCLOSURE

RR NAME	EVENT	EVENT DATE	TERMINATION DATE	US FILING DATE	3070(a) FILING DUE
Ruben Rodriguez	\$320,000 Settlement Agreement	08/24/09	03/19/09	03/19/09	09/08/09
Rene Palacios	Customer complaint alleging conversion ¹	11/6/07	11/30/07	11/30/07	11/20/07
Pedro Torres	\$38,834 Settlement Agreement	04/07/10	06/16/09	10/01/08	04/21/10

¹ Oriental further settled with the customer who complained involving an amount that triggered another reportable event on November 29, 2007.