

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100254907-02

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

RE: Chardan Capital Markets LLC, Respondent
Broker-Dealer
CRD No. 120128

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Chardan Capital Markets LLC (the "firm") 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 the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm 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

The firm has been a member of FINRA since July 2, 2002, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In Review No. 20100254907, the Department of Market Regulation's Offering Surveillance section (the "staff") reviewed compliance by the firm with Rule 101 of SEC Regulation M ("Rule 101") and FINRA Rule 5190 for all distributions that priced between November 2, 2009, and November 13, 2009.

In Review No. 20110289545, the staff reviewed the firm's compliance with Rule 101 and FINRA Rule 5190 during the periods of January 1, 2010, through March 31, 2010; April 1, 2010, through June 30, 2010; October 1, 2010, through December 31, 2010; January 1, 2011, through March 31, 2011; and April 1, 2011, through June 30, 2011.

In Review No. 20140411301, the staff reviewed the firm's compliance with FINRA Rule 5190 during the period of January 1, 2014, through March 31, 2014.

As a result of its reviews, the staff found that the firm violated Rule 101, related FINRA notification rules, and supervision requirements, as described below.

FACTS AND VIOLATIVE CONDUCT

In connection with Matter No. 20100254907:

1. During the period from November 3, 2009, through November 9, 2009, the firm was a distribution participant in an offering of common stock for Golden Green Enterprises Limited (GGEEF), which traded on the Over-the-Counter Bulletin Board ("OTCBB").
2. During the restricted period of November 3 through November 9, 2009, the firm (1) published and maintained bids in GGEEF common stock, and (2) purchased 100 shares of GGEEF on a principal basis on November 9, 2009.
3. The conduct described in paragraphs 1 and 2 above constitutes separate and distinct violations of Rule 101.

In connection with Matter No. 20110289545:

4. During the period of January 1, 2010, through June 30, 2011, the firm acted as a distribution participant and acted as a manager (or in a similar capacity) in the distribution of securities in multiple offerings and private placements.
5. Because the firm acted as a manager (or in a similar capacity) in the distribution of securities, it was required to submit to FINRA, in timely fashion, notifications pursuant to FINRA Rule 5190(c)(1)(A) ("Regulation M Restricted Period Notification"). Specifically, pursuant to Rule 5190(c)(1)(A), the firm was required to file its notice with FINRA "no later than the business day prior to the first complete trading session of the applicable restricted period, unless later notification is necessary under specific circumstances."
6. In addition, the firm was required to submit to FINRA, in timely fashion, notifications pursuant to FINRA Rule 5190(c)(1)(B) ("Regulation M Trading Notification"). Specifically, pursuant to Rule 5190(c)(1)(B), the firm was required to file its notice with FINRA "no later than the close of business the next business day following the pricing of the distribution, unless later notification is necessary under specific circumstances."
7. As set forth in the table below, during the restricted periods shown, the firm was a distribution participant and acted as a manager (or in a similar capacity) in the distribution of securities in offerings or private placements of common stock and published and maintained bids in the common stock. Further, although the firm acted as a manager (or in a similar capacity) in the distribution, the firm failed to timely file a Regulation M Restricted Period Notification and, in one case shown below (AEN Offering), failed to timely file a Regulation M Trading Notification.

Offering or Private Placement	Restricted Period
ICOP Digital, Inc. (ICOP) Offering	1/22/2010-1/28/2010
Converted Organics, Inc. (COIN) Offering	12/10/2010-12/17/2010
StemCells, Inc. (STEM) Offering	1/6/2011
COIN Private Placement	3/25/2011-3/31/2011
Adeona Pharmaceuticals, Inc. (AEN) Offering	4/5/2011
China Broadband, Inc. (CBBB) Private Placement	5/26/2011-6/6/2011

8. The conduct described in paragraphs 4 through 7 above constitutes separate and distinct violations of Rule 101 and Rule 5190(c)(1)(A), and, in the case of the AEN Offering, a violation of Rule 5190(c)(1)(B).
9. As set forth in the table below, on the dates shown, the firm was a distribution participant and acted as a manager (or in a similar capacity) in the distribution of securities in offerings or a private placement of common stock and failed to timely file a Regulation M Restricted Period Notification.

Offering or Private Placement	Dates
Adeona Pharmaceuticals, Inc. (AEN) Offering	1/27/2011
USA Technologies, Inc. (USAT) Private Placement	3/11/2011
T3 Motion, Inc. (TTTM) Offering	5/9/2011-5/13/2011

10. The conduct described in paragraph 9 above constitutes separate and distinct violations of Rule 5190(c)(1)(A).

In connection with Matter No. 20140411301:

11. On February 19, 2014, the firm and acted as a manager (or in a similar capacity) in the distribution of securities in a private placement of common stock for Eastgate Acquisitions Corp. (ESAQ), which traded on the OTCBB.
12. The firm failed to file a Restricted Period Notification for the ESAQ private placement.
13. The conduct described in paragraphs 11 and 12 above constitutes a violation of Rule 5190(c)(1)(A).

In connection with Matter Nos. 20100254907, 20110289545, and 20140411301:

14. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations and the Rules of FINRA. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:

- (a) specific identification of the individual(s) responsible for supervision;

- (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
- (c) the frequency of such reviews; and
- (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to provide for the minimum requirements for adequate written supervisory procedures, in the following subject areas: market making and timely submission of notifications to self-regulatory organizations when acting as a manager (or in a similar capacity) in the distribution of securities [elements (a), (b), (c), and (d)]. The conduct described in this paragraph constitute violations of FINRA Rule 2010 and NASD Rule 3010.

B. The firm also consents to the imposition of the following sanctions:

A censure; a fine of \$35,000 (\$5,000 for the Rule 101 violations in matter number 20100254907; \$7,500 for the Rule 101 and \$5,000 for FINRA Rule 5190(c)(1)(A)-(B) violations in matter number 20110289545; and \$5,000 for the Rule 5190(c)(1)(A) violation in matter number 20140411301; and a unitary fine of \$12,500 for the supervisory violations in all three matters); and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.14. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the Respondent shall submit to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850**, a signed, dated letter, or an e-mail from a work-related account of the registered principal to **MarketRegulationComp @finra.org**, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph I.A.14; and (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

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

- 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm 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.

The firm 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

The firm 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 the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. The firm 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. The firm 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 the firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm 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 has been given a full opportunity

Date 5/21/15

By: [Signature]

Title: President

June 17, 2015
Date


James J. Nixon
Chief Litigation Counsel, Legal Section
Department of Market Regulation