

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011025544301**

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

RE: Dennis Young (CRD No. 2070952),
Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Dennis Young ("Young" or "Respondent"), 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I 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

On July 12, 1994, Young first became registered with FINRA as a Financial and Operations Principal ("FINOP"). On April 16, 1997 and October 1, 1997, he also became registered as a General Securities Representative and Registered Options Principal, respectively. From February 12, 2008 through April 8, 2013, Young was registered in those three capacities through Clark Dodge & Co., Inc. (BD No. 23288) ("Clark Dodge" or the "Firm"). On June 11, 2008, Young also became registered as a General Securities Principal.

From July 2008 to June 2011, Young functioned as the Firm's FINOP, Chief Compliance Officer ("CCO"), Chief Operating Officer ("COO"), and Registered Options and Security Futures Principal ("ROSEFP"). He also became the Firm's Anti Money Laundering Compliance Officer ("AMLCO") on August 4, 2009, and remained in that capacity through June 2011. In addition, from approximately October 1, 2010 to April 8, 2013, Young was the branch office manager of the Firm's White Plains, New York Branch.

On April 8, 2013, Clark Dodge filed a Uniform Termination Notice for Securities Registration (Form U5), which indicated that Young had voluntarily resigned on March 7, 2013.

On March 13, 2014, Young once again became registered with Clark Dodge as a FINOP, General Securities Representative, General Securities Principal, and ROSFP. On September 8, 2014, Clark Dodge filed a Form U5 terminating Young's registration with the Firm. Presently, Young is registered as a FINOP, General Securities Representative, and General Securities Principal through another unrelated member firm.

As Young is currently associated with a FINRA member firm, he remains subject to FINRA's ongoing jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

On December 6, 2002, FINRA accepted a Letter of Acceptance Waiver and Consent (Matter No.: C10020121) in which Young consented to findings that while he was employed with another member firm, he violated NASD Rules 1120(a) and 2110 by permitting certain registered representatives to act in a registered capacity while their registration status with the NASD was inactive due to their failure to complete the regulatory element of NASD's continuing education requirement. As part of the settlement, Young agreed to a censure and a fine of \$10,000.

Young has no other formal disciplinary history with the Securities and Exchange Commission, any state securities regulator or any self-regulatory organization.

OVERVIEW

From approximately November 13, 2009 through January 28, 2011 (the "Relevant Period"), Young, acting in his capacity as the AMLCO of Clark Dodge, failed to develop and implement a reasonably designed AML suspicious activity monitoring program. Specifically, Young, acting in his capacity as the AMLCO of Clark Dodge, failed to monitor, detect, investigate, and where appropriate, report potentially suspicious activity related to the deposit and liquidation of low-priced securities through various accounts at the Firm. By reason of the foregoing, Young violated NASD Conduct Rule 3011(a) (for conduct before January 1, 2010) and FINRA Rules 3310(a) (for conduct after December 31, 2009) and 2010.

During the Relevant Period, Young, acting in his capacity as the CCO of Clark Dodge, failed to establish, maintain and enforce an adequate supervisory system, including written supervisory procedures (WSPs), reasonably designed to achieve compliance with Section 5 of the Securities and Exchange Act of 1933 (the "1933 Act") in relation to the deposit and liquidation of low-priced securities. By reason of the foregoing, Young violated NASD Conduct Rule 3010 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

A. Anti-Money Laundering Violations – NASD Conduct Rules 3011(a) and FINRA Rules 3310(a) and 2010

Pursuant to NASD Conduct Rule 3011 and FINRA Rule 3310 (which superseded Rule 3011 as of January 1, 2010), FINRA member firms are required to develop and implement a written AML program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act, 31 U.S.C. §5311, et seq., and the regulations promulgated thereunder. Under NASD Conduct Rule 3011(a) and FINRA Rule 3310(a) (which superseded it), FINRA member firms are required to establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of suspicious activity and transactions.

During the Relevant Period, Young, as the Firm's CCO and AMLCO, was responsible for maintaining and enforcing the Firm's AML Compliance Program. A portion of the Firm's Written Supervisory Procedures ("WSPs") consists of the "Anti-Money Laundering Program, Compliance and Supervisory Procedures" (the "AML Procedures."). As the Firm's AMLCO, Young was responsible for enforcing and maintaining the Firm's AML Procedures and ensuring the detection, investigation and reporting, where appropriate, of potentially suspicious activity.

The AML Procedures list a series of red flags indicative of potentially suspicious activity that required additional due diligence on the part of Young. Those red flags included 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 appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity;
- The customer has unexplained or sudden extensive wire activity, especially in accounts that had little or no previous activity;

- The customer's account has wire transfers that have no business purpose to or from a country identified as a money laundering risk or a bank secrecy haven; and
- The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of securities such as low-priced securities, Regulation S stocks, and bearer bonds that, 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.

Clark Dodge's AML program required supervisors to monitor for potentially suspicious activity and AML "red flags," investigate potentially suspicious activity, and, if necessary, report suspicious activity. Furthermore, the AMLCO (or his designee) was to "manually monitor" account activity to permit identification of "unusual size, volume, pattern or type of transactions, whether jurisdictions designated as 'non cooperative' are involved or any of the red flags identified in [the AML Procedures]."

The AML Procedures made clear that, in conducting the aforementioned reviews, the Firm was to "document when and how it is carried out, and [would] report suspicious activities to the appropriate authorities." If, through the monitoring process, red flags were identified, a "member of the [Firm]" was to investigate further "under the direction of the [AMLCO]." Additional steps could have included gathering supplemental information internally or from third party sources, contacting the government, freezing the account, and filing a [SAR].

If suspicious activity were to have been identified by the Firm through its various reviews, its AML Procedures required that a SAR be filed for any account activity (including deposits and transfers) conducted through [the Firm] involving \$5,000 or more where the Firm knew, suspected, or had reason to suspect the following:

- The transaction involves funds derived from illegal activity as part of a plan to violate or evade federal law or regulation;
- The transaction is designed to evade requirements of the Bank Secrecy Act ("BSA"); and
- The transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and we know, "after examining the background, possible purpose of the transaction and other facts," that the transaction was not "reasonable."

During the Relevant Period, Young, acting in his capacity as the AMLCO of Clark Dodge, failed to discharge these responsibilities. While the Firm's AML procedures were not adequately tailored to the risks associated with the deposit and liquidation of low-priced securities, there was activity that should have triggered additional due diligence under the existing procedures that Young, in his role as AMLCO, failed to properly address.

For example, the Firm maintained an account for a foreign institutional customer, BI, which was controlled by multiple corporate nominees domiciled outside of the United States (the "BI Account"). The BI Account began to deposit and liquidate thousands of shares of low-priced securities. The majority of the sale proceeds, \$439,000 in total, were wired to a bank account in Gibraltar, a known tax haven, without any re-investment at the Firm. This activity should have triggered a review by Young, as the Firm's AMLCO, under the Firm's existing WSPs; it did not. Additionally, Clark Dodge's clearing firm also raised concerns about the legitimacy of the issuers whose securities were being deposited and liquidated through the BI accounts. These inquiries, which included specific allegations of prior market manipulative activities by executives for certain issuers, were never investigated. If additional due diligence had been conducted by Young, as the Firm's AMLCO, he would have discovered additional red flags indicative of potentially suspicious activity about the client and the securities being liquidated such as:

- The nominee owners of the BI Account were involved in suspected fraud, money laundering, and support of criminal organizations, as reflected in multiple online articles readily available to Young during the Relevant Period.
- An attorney who issued a total of six (6) opinion letters on behalf of multiple Clark Dodge customers to enable the customers to remove restrictive legends on certain penny stock certificates was criminally prosecuted for his participation in a "pump and dump" scheme. The attorney was sentenced to 34 months in prison, followed by 3 years of supervised release after pleading guilty to one count of conspiracy to commit securities fraud, wire fraud and mail fraud "stemming from a securities fraud 'pump and dump' manipulation scheme."
- LK, who directed all trading in the BI Account (and served as the account's main point of contact) engaged in promotional activities in connection with low-priced securities deposited into other Clark Dodge accounts.
- BI engaged in promotional activities in connection with at least one penny stock which was delivered into the BI Account by stock certificate and subsequently liquidated with proceeds being wired out to an account in Gibraltar.

By reason of the foregoing, Young violated NASD Conduct Rule 3011(a) and FINRA Rules 3310(a) and 2010.

B. Deficient Supervisory Controls – NASD Conduct Rule 3010 and FINRA Rule 2010

NASD Conduct Rule 3010 requires member firms to establish, maintain and enforce a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations. Required components of a “reasonable” supervisory system include establishing, maintaining and enforcing written supervisory procedures designed to achieve compliance.

During the Relevant Period, Young, acting in his capacity as the CCO of Clark Dodge, failed to establish, maintain and enforce written supervisory procedures to ensure compliance with Section 5 of the 1933 Act related to the deposit and liquidation of low-priced securities. In fact, the Firm had no procedures to address its obligations under Section 5 of 1933 Act. Young instead unreasonably relied upon branch personnel and Clark Dodge’s clearing firm to monitor for compliance with Section 5.

In fact, notwithstanding Young’s awareness of the pervasiveness of the deposit and liquidation of low-priced securities in the subject accounts, and the red flags raised by its clearing firm about the issuers in connection with multiple inquiries during the Relevant Period, Young failed to establish, maintain and enforce an adequate supervisory system to monitor and address this activity.

By reason of the foregoing, Young violated NASD Conduct Rules 3010(a) and (b) and FINRA Rule 2010.

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

- a four-month suspension from association with any FINRA member in any principal capacity; and
- a \$11,500 fine.

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

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member in a principal capacity, I become 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, I 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 I am subject to a statutory disqualification during the suspension, if I remain associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

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

I 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.

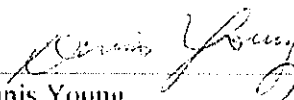
OTHER MATTERS

I understand that:

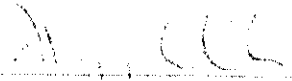
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of my 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 my 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. I 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. I 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: (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.

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

9/22/2014
Date (mm/dd/yyyy)


Dennis Young

Reviewed by:

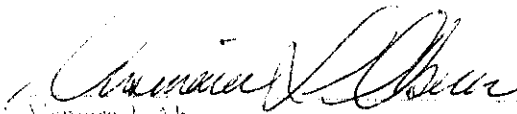


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Accepted by FINRA:

10/29/14
Date

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



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