

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

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

GLOBAL STRATEGIC INVESTMENTS, LLC
(CRD No. 117028),

Respondent.

DISCIPLINARY PROCEEDING
No. 2011025676501

HEARING OFFICER: DS

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: April 27, 2015

INTRODUCTION

Disciplinary Proceeding No. 2011025676501 was filed on September 8, 2014, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) ("Complainant"). Respondent Global Strategic Investments, LLC ("Respondent" or "GSI") submitted an Offer of Settlement ("Offer") to Complainant dated April 21, 2015. 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.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint (as amended by the Offer of Settlement), 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 (as amended by the Offer of Settlement), and to the imposition of the sanctions set

forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Global Strategic Investments, LLC, CRD No. 117028, has been a FINRA member since June 2002. GSI engages in a general securities business and maintains its principal place of business in Miami, Florida. At all times relevant to this Complaint, GSI was a member of FINRA and as a current member remains subject to the jurisdiction of FINRA under Article IV of FINRA's By-Laws.

GSI has relevant disciplinary history. In October 2010, just before the Review Period, GSI and its then AML Compliance Officer entered into an Acceptance Waiver and Consent with FINRA for the Firm's failure to detect, analyze, and/or report highly suspicious transactions and GSI's failure to establish and implement an adequate customer identification program.

FINDINGS AND CONCLUSIONS

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

SUMMARY

1. Beginning in November 2010, Global Strategic Investments, LLC ("GSI" or the "Firm") launched a new business line that immediately generated the majority of its revenues — facilitating currency exchanges through the liquidation of over \$650,000,000 worth of Venezuelan bonds for two correspondent accounts of foreign financial institutions located in high-risk jurisdictions, Venezuela and Curacao. Each of these transactions occurred during the period when Venezuela's Sistema de Transacciones con Titulos en Moneda Extranjera ("SITME") (a/k/a System of Foreign Currency Transactions), which was dismantled in February 2013, was in effect. Between at least November 2010 and September 2012 (the "Review

Period”), GSI failed to detect, investigate, and report, where appropriate, suspicious activity related to the Venezuelan bond transactions and subsequent wire activity.

2. GSI’s written anti-money laundering compliance program (“AMLCP”) addressed its obligations under anti-money laundering (“AML”) laws and regulations, and FINRA rules, to perform due diligence at account opening, monitor account activity, and detect and investigate red flags of suspicious activity. Nevertheless, in practice, GSI failed to identify the money laundering risk associated with the Venezuelan bond accounts — its two largest customers — and their anticipated activity and failed to adjust its procedures to account for the high-risk nature of this new endeavor. Instead, the Firm primarily relied upon its new clients’ representations about the legitimacy of the transactions without further reasonable risk-based review to corroborate such representations. The Firm’s over-reliance upon the client’s representations led to failures to detect red flags that should have required additional due diligence on the part of the Firm. GSI did not have a sufficient infrastructure — policies, systems, and procedures — to adequately monitor this business. Nor did it reasonably implement its existing AMLCP. As a result of the foregoing, GSI violated FINRA Rules 3310(a) and (b) and 2010.

RESPONDENT AND JURISDICTION

3. **Global Strategic Investments, LLC**, CRD No. 117028, has been a FINRA member since June 2002. During the Review Period, GSI engaged in a general securities business and maintained its principal place of business in Miami, Florida. Approximately 23 to 46 registered persons were associated with the Firm at any one point in time during the Review Period. At all times relevant to this Complaint, GSI was a member of FINRA and as a current member remains subject to the jurisdiction of FINRA under Article IV of FINRA’s By-Laws.

4. GSI has relevant disciplinary history. In October 2010, just before the Review Period, GSI and its then AML Compliance Officer (“AMLCO”) entered into an Acceptance Waiver and Consent with FINRA for the Firm’s failure to detect, analyze, and/or report highly suspicious transactions and GSI’s failure to establish and implement an adequate customer identification program.

FACTS

AML Rules and Regulations Require Broker-Dealers to Review for, and Report, Suspicious Transactions

AML Rules and Regulations Applicable to All Customer Activity at Broker-Dealers

5. Since 2002, pursuant to the USA PATRIOT Act of 2001 (the “Patriot Act”), which amended the Bank Secrecy Act of 1970 (“BSA”), the United States Department of the Treasury has required suspicious transaction reporting by broker-dealers.¹ The implementing regulation, 31 C.F.R. section 103.19(a)(1), which was in effect during the relevant period,² requires that “[e]very broker or dealer in securities within the United States . . . file with FinCEN . . . a report of any suspicious transaction relevant to a possible violation of law or regulation.”³

6. Section (a)(2) of the implementing regulation further clarifies which financial transactions should be deemed suspicious for reporting purposes:

A transaction requires reporting . . . if it is conducted or attempted by, at, or through a broker-dealer, it involves or aggregates funds or other assets of at least \$5,000, and the broker-dealer knows, suspects, or has reason to suspect that the transaction (or a pattern of transactions of which the transaction is a part):

- (i) Involves funds derived from illegal activity or is intended or

¹ 31 U.S.C. § 5311, *et seq.*, as amended.

² The implementing regulations at 31 C.F.R. section 103.19, were transferred and reorganized in a new chapter, 31 C.F.R. section 1023.320, effective March 1, 2011.

³ FinCEN is the Financial Crimes Enforcement Network of the United States Department of the Treasury.

conducted in order to hide or disguise funds or assets derived from illegal activity (including, without limitation, the ownership, nature, source, location, or control of such funds or assets) as part of a plan to violate or evade any federal law or regulation or to avoid any transaction reporting requirement under federal law or regulation;

(ii) Is designed, whether through structuring or other means, to evade any requirements of this part or any other regulations promulgated under the Bank Secrecy Act . . . ;

(iii) Has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the broker-dealer knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction; or

(iv) Involves use of the broker-dealer to facilitate criminal activity.

7. In 2002, FINRA's predecessor, NASD, adopted amendments to Conduct Rule 3011⁴ to require, among other things, members to develop and implement an AML compliance program and designate persons responsible for AML compliance. NASD also issued detailed guidance to the industry regarding broker-dealer monitoring and reporting requirements. In Notice to Members ("NTM") 02-21, NASD emphasized that each broker-dealer has a duty to detect red flags that may indicate money laundering or other violative activity and where detected, "to perform additional due diligence before proceeding with the transaction." In NTM 02-47 and subsequent guidance, NASD further advised broker-dealers of their duty to file a "Suspicious Activity Report" for certain suspicious transactions.

8. NASD has long advised, as reflected in NTM 02-21, that broker-dealers' AMLCP must "fit their business models and needs," and "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."

⁴ On January 1, 2010, NASD Conduct Rule 3011 was superseded by FINRA Rule 3310.

9. FINRA Rule 3310(a) specifically requires that each member shall “[e]stablish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder.” FINRA Rule 3310(b) requires that members “[e]stablish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder.”

Additional Due Diligence Requirements Related to Foreign Financial Institutions

10. The Patriot Act imposes additional due diligence requirements upon broker-dealers who maintain correspondent accounts for “foreign financial institutions.” Section 312 of the Patriot Act, as implemented by 31 C.F.R. section 1010.610,⁵ requires all U.S. financial institutions to exercise this due diligence with respect to correspondent accounts for foreign financial institutions. The required due diligence program must

include[] appropriate, specific, risk-based, and, where necessary, enhanced policies, procedures, and controls that are reasonably designed to enable the covered financial institution [*e.g.*, a broker-dealer] to detect and report, on an ongoing basis, any known or suspected money laundering activity conducted through or involving any correspondent account

11. The implementing regulation, 31 C.F.R. section 1010.610(a)(2), specifies factors that broker-dealers must consider when assessing the risk of foreign correspondent accounts, including

[a]ssessing the money laundering risk presented by such correspondent account, based on consideration of all relevant factors, which shall include, as appropriate:

- i. The nature of the foreign financial institution’s business and the markets it serves;
- ii. The type, purpose, and anticipated activity of such correspondent account;

⁵ Formerly codified at 31 C.F.R. section 103.176 prior to March 1, 2011.

- iii. The nature and duration of the covered financial institution's relationship with the foreign financial institution (and any of its affiliates);
- iv. The anti-money laundering and supervisory regime of the jurisdiction that issued the charter or license to the foreign financial institution . . . ; and
- v. Information known or reasonably available to the covered financial institution about the foreign financial institution's anti-money laundering record

12. The implementing regulation also requires that the “covered financial institution,” here, the broker-dealer,

apply risk-based procedures and controls to each such correspondent account reasonably designed to detect and report known or suspected money laundering activity, including a periodic review of the correspondent account activity sufficient to determine consistency with information obtained about the type, purpose, and anticipated activity of the account.

13. Two of GSI’s customers, FFI1 and FFI2, were foreign financial institutions that triggered the additional due diligence requirements under the Patriot Act, as alleged above.

“Enhanced Due Diligence” For Certain Foreign Banks

14. The implementing regulation further imposes “enhanced due diligence” for correspondent accounts for certain foreign banks. Among other things, 31 C.F.R. section 1010.610(b) requires that, when a broker-dealer has an account for a foreign bank operating pursuant to, for example, an offshore banking license, its

. . . due diligence program . . . shall include enhanced due diligence procedures designed to ensure that the [broker dealer], at a minimum, takes reasonable steps to:

(1) Conduct enhanced scrutiny of such correspondent account This enhanced scrutiny shall reflect the risk assessment of the account and shall include, as appropriate:

(i) Obtaining and considering information relating to the foreign bank's anti-money laundering program to assess the risk of money laundering presented by the foreign bank's correspondent account;

(ii) Monitoring transactions to, from, or through the correspondent account in a manner reasonably designed to detect money laundering and suspicious activity . . .

(2) Determine whether the foreign bank for which the correspondent account is established or maintained in turn maintains correspondent accounts for other foreign banks that use the foreign correspondent account established or maintained by the covered financial institution and, if so, take reasonable steps to obtain information relevant to assess and mitigate money laundering risks associated with the foreign bank's correspondent accounts for other foreign banks, including, as appropriate, the identity of those foreign banks.

15. GSI's customer FFI2 was a foreign bank operating pursuant to an offshore banking license, which triggered GSI's enhanced due diligence obligation, as alleged above.

***GSI's Anti-Money Laundering Compliance Program
Did Not Address the Risks of its Venezuelan Bond Liquidation Business***

16. As required by the BSA and its implementing regulations, GSI's AMLCP required the Firm to perform due diligence on correspondent accounts for a foreign financial institution including, but not limited to: understanding its business model, client base, AML risks posed by the country it operates in and its own AML program. The Firm's AMLCP also required it to conduct periodic activity reviews to ensure that the correspondent account acted in a manner consistent with its disclosed account purpose and anticipated activity.

17. GSI's AMLCP addressed, among other things, customer identification and due diligence at the account opening stage, as well as ongoing monitoring of accounts for suspicious activity (red flags). For certain types of customers, such as offshore banks, the AMLCP provided for "Enhanced Due Diligence."

18. The AMLCP was not initially designed nor timely augmented to address specifically the business activity at issue here, which constituted over 50 percent of the Firm's revenue during the entire Review Period. GSI's two foreign financial institution customers made over 1,300 deposits of a combined total of approximately 830,000 Venezuelan bonds, which were

liquidated for over \$650 million, generating in excess of \$17 million in markdown revenue to the Firm. Nevertheless, the Firm did not amend its AMLCP to acknowledge or address this riskier business activity until February 2013, after SITME was dismantled, after the liquidation business was largely terminated, and after FINRA began investigating the Firm's AML compliance related to the liquidation business.

19. Although the Firm's AMLCP did not specifically address its Venezuelan bond liquidation business during the Review Period, numerous general provisions of the AMLCP applied to the activity. Nevertheless, as alleged below, the Firm failed reasonably to apply its existing AMLCP to this business because it assumed that the bonds were obtained through a program somewhat regulated by the Venezuelan government.

20. At the time the accounts at issue were opened, GSI's AMLCP required the Firm's personnel to "be alert to . . . high risk entities, individuals and countries." The AMLCP identified "High-Risk" entities, countries and groups as follows:

- a. "High-Risk Business Entities," which "have been identified by regulators as being at a higher risk for money laundering activities," including "[o]ffshore corporations and banks located in tax and/or secrecy havens."
- b. "High-Risk Countries and Groups," which "are considered high-risk for money laundering activities," including:
 - i. "Countries in which the production or transportation of illegal drugs may be taking place, and emerging countries that may be seeking hard currency investments;"
 - ii. "Countries identified in the Financial Crimes Enforcement Network (FinCEN) and Financial Action Task Force (FATF) advisories;" and
 - iii. "Countries known as bank secrecy or tax havens."

As alleged below, both of the foreign financial institutions, FFI1 and FFI2, that liquidated Venezuelan bonds were from “high-risk” countries, and FFI2 was a “high-risk” entity.

21. The AMLCP also required the Firm to monitor accounts for suspicious activity, including

patterns of unusual size, volume, pattern or type of transactions, geographic factors . . . , or any of the “red flags” identified in this Section. We will look at transactions, including trading, wire transfers and [clearing firm] exception reports in the context of other account activity to determine if a transaction lacks financial sense.

22. The AMLCP instructed Firm personnel to consider how recently the account was opened and noted that “recently opened accounts with whom the Firm does not have an ongoing relationship may increase the risk of suspicious activity.” The AMLCP also instructed Firm personnel to monitor accounts for certain red flags of suspicious activity, including:

- a. “Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.”
- b. “The information provided by the customer that identifies a legitimate source for funds is false, misleading, or substantially incorrect.”
- c. “The customer account shows a large deviation from its normal trading pattern”
- d. “The customer wishes to engage in transactions that lack business sense . . . or are inconsistent with the customer’s . . . stated business”
- e. “The customer exhibits an unusual lack of concern regarding risks, commissions, or other transaction costs.”
- f. “An account or transaction is for . . . an offshore corporation in a known tax haven.”

g. “The customer’s account indicates large or frequent wire transfers, immediate withdrawals by check or debit card.”

23. The AMLCP required Firm personnel to report suspicious activity, including red flags, to the AMLCO, who was required to investigate further and file a Suspicious Activity Report following the guidance in section (a)(2) of the implementing regulation set forth above.

24. As alleged below, the Venezuelan bond activity in the FFI1 and FFI2 accounts triggered the red flags in the Firm’s existing AMLCP that should have caused the firm to consider whether or not to file a suspicious activity report; however, the Firm failed to investigate. Nor did GSI perform the initial or ongoing due diligence and monitoring required by its procedures with respect to the accounts of these foreign financial institutions.

25. In addition to its generally applicable AML procedures, GSI’s AMLCP required that the AMLCO apply “enhanced due diligence” on accounts that operate pursuant to an offshore banking license. As alleged herein, GSI’s customer FFI2 is an offshore bank subject to enhanced due diligence procedures. GSI’s enhanced due diligence procedures required a more extensive risk assessment of the account and application of enhanced due diligence, including among other things, inquiry into “the sources and beneficial ownership of funds or other assets of such persons in the correspondent account,” ascertaining whether the foreign bank provides correspondent accounts to other foreign banks, and ascertaining the nature of the foreign bank’s general customer base.

***Venezuela and its System of Currency Exchange Regulation
Raised Money Laundering Concerns***

The U.S. and United Nations Recognized Venezuela as a Jurisdiction that Posed Money Laundering Risks During the Review Period

26. At the time GSI opened the accounts for its Venezuelan customers, and throughout the Review Period, there were multiple bases for GSI to designate Venezuela as a “High Risk Country” under its AMLCP.

27. First, the Financial Action Task Force (FATF)⁶ formally designated Venezuela as a jurisdiction having “strategic AML/CFT [combating the financing of terrorism] deficiencies” repeatedly throughout the entire Review Period, in advisories dated October 2010, February 2011, June 2011, October 2011, February 2012, June 2012 and October 2012.

28. Second, prior to the review period, Venezuela also publicly acknowledged a close and ongoing relationship with Iran, which the U.S. State Department had designated a “state sponsor of terrorism.”

29. Third, as of March 2010, and throughout the Review Period, both the United States Department of State and the United Nations Office on Drugs and Crime had identified Venezuela as a drug-transit country. The U.S. State Department’s Bureau for International Narcotics and Law Enforcement Affairs warned in a March 2010 report that Venezuela suffers from “weaknesses in its anti-money laundering regime” and presents serious concern for money laundering including “illegal transactions that exploit Venezuela’s currency controls:”

... Venezuela is one of the principal drug-transit countries in the Western Hemisphere. Venezuela’s proximity to drug producing countries, *weaknesses in its anti-money laundering regime*, refusal to cooperate regularly with the United States in mutual legal assistance matters, including on counter-narcotics activities, and alleged substantial corruption in law enforcement and other relevant sectors

⁶ The FATF is an international organization that, among other things, develops measures and recommendations to combat money laundering and terrorist financing, monitors countries’ progress towards implementing its recommendations, and publishes a list of countries with deficiencies.

continue to make Venezuela *vulnerable to money laundering*. *The main sources of money laundering are* proceeds generated by drug trafficking organizations, the embezzlement of funds from the petroleum industry, and *illegal transactions that exploit Venezuela's currency controls*. (emphasis added)

The U.S. State Department report also highlighted Venezuela's government corruption problem and lack of attention to money laundering concerns, and emphasized that the "current regime of price and foreign exchange controls also has provided opportunity for corruption."

30. Although GSI recognized that historically Venezuela was a "High Risk Country," it dismissed that risk because it believed that the transactions in the accounts of the two foreign financial institutions were conducted through SITME, which it considered "low risk" due to the regulatory controls and transparency. GSI did not consider well recognized weaknesses in Venezuela's AML regime and instead relied in whole, or in part, upon Venezuela's supposed regulation of the SITME system to mitigate its own AML risk.

The "Permuta" Market: Venezuela's Parallel Currency Exchange Market Prior to SITME

31. At all relevant times prior to June 2010, Venezuela's Comision de Administracion de Divisas (CADIVI) controlled the country's currency (the bolivar) by, among other things, requiring individuals and entities to conduct foreign currency exchange transactions through Venezuela's central bank, Banco Central de Venezuela (BCV), in order to control capital flight.

32. Due to CADIVI's currency controls, the supply of U.S. dollars failed to meet demand, and a parallel market for currency exchange formed in Venezuela due to a loophole in the regulatory system. The parallel market system's currency exchange mechanism, known as the "Permuta" market, permitted individuals and entities to purchase bolivar-denominated bonds locally, swap those bonds for U.S. dollar-denominated bonds, and then sell the U.S. dollar-denominated bonds through offshore accounts without running afoul of the currency control laws in Venezuela.

33. According to the U.S. Trade Representative's 2011 National Trade Estimate Report on Foreign Trade Barriers, the average "disbursals" in the Permuta market were estimated at \$80 million to \$100 million per business day in 2009.

34. The Permuta market presented various well-known AML risks including the lack of transparency between the U.S. and Venezuela and exposure to money laundering, tax evasion, corruption, Politically Exposed Persons, and terrorist financing.

SITME: The Venezuelan Government's System For Regulating the Parallel Currency Exchange Market

35. In and around May 2010, Venezuela closed the regulatory loophole that led to the Permuta market and otherwise took action to shut it down. In place of the Permuta market, in June 2010, the Venezuelan government set up a system administered and controlled by BCV called SITME. Throughout the Review Period, and until it was dismantled by the Venezuelan government in February 2013, SITME functioned as a foreign exchange market that operated through sales of Venezuelan bonds.

36. SITME permitted entities and individuals in Venezuela to obtain limited amounts of foreign currencies by purchasing approved U.S. dollar denominated Venezuelan bonds⁷ locally in bolivars and selling them in international markets in the foreign currency. The Venezuelan government subjected these transactions to certain limitations and requirements. For example, companies were permitted to purchase a daily maximum of \$50,000 worth of bonds through SITME, and no more than \$350,000 of bonds per month. Individuals were permitted to purchase within lower limits ranging from \$5,000 to \$10,000 worth of bonds per year, depending upon the purpose.

⁷ The bonds were issued by the Venezuelan government or PDVSA, which is the Petroleos de Venezuela, S.A., a Venezuelan state-owned oil and natural gas company.

37. BCV regulated the terms and conditions of the transactions, including the exchange rate and the minimum and maximum price for SITME purchases and sales.

38. Each day, BCV published on its website a list of bonds available through SITME and their prices.

39. Between June 2010 and April 2012, SITME transactions averaged approximately \$36 million per day. According to contemporaneous public records, the limited SITME program only met 30–35 percent of the local demand for U.S. dollars, which led to the emergence of a “black market” for foreign exchange alongside the central bank-controlled system.

40. The unmet demand created a substantial risk that bonds presented for conversion may have been obtained outside of SITME and its system of regulated bond sales/currency conversions. Venezuelan bond transactions conducted either within or outside of SITME presented the same AML risks as those in the Permuta market, including the lack of transparency between the U.S. and Venezuela and exposure to money laundering, tax evasion, corruption, Politically Exposed Persons, and terrorist financing.

***GSI Opens Accounts for Foreign Financial Institutions
to Liquidate Venezuelan Bonds But Fails to Conduct Adequate
Due Diligence and Suspicious Activity Monitoring***

41. Beginning in November 2010, GSI embarked upon a new line of business that immediately increased quarterly gross revenues over 70 percent: Selling over \$650 million of Venezuelan bonds for the purpose of facilitating currency exchanges for Venezuelan individuals and corporations seeking U.S. dollars. GSI’s customers, which had no prior dealings with the Firm, were one Venezuelan bank and one Curacao bank (affiliated with a Venezuelan bank) that each liquidated the bonds on behalf of its undisclosed customers.

Customer FFI1

42. On or about November 18, 2010, FFI1, a Venezuelan commercial bank, opened a foreign correspondent account with GSI.

43. At all times relevant to this Complaint, FFI1 was a “foreign financial institution” under the BSA as defined in 31 C.F.R. section 1010.605(f).⁸

44. When FFI1 opened its account, a representative of FFI1 contemporaneously represented that it planned to deposit large denominations of Venezuelan bonds obtained through SITME, liquidate those bonds in U.S. dollars, and wire the proceeds out of its account.

45. Between November 2010 and September 2012, FFI1 transferred bonds, from either other Venezuelan banks or from its accounts at U.S. broker-dealers, into its GSI account, and then sold the bonds and wired the proceeds to FFI1’s accounts at other financial institutions in the U.S. and abroad, as follows:

- a. FFI1 made 724 deposits of Venezuelan bonds with an aggregate nominal value of \$290,093,500 and an average nominal value of more than \$400,000 per deposit.
- b. FFI1 effected 595 sales of Venezuelan bonds with aggregate proceeds of \$220,943,948 and average proceeds of \$371,334.
- c. FFI1 directed GSI to send 602 outgoing wire transfers totaling \$220,279,757 (averaging \$365,913) from FFI1’s accounts at the Firm to FFI1’s accounts at other financial institutions in the U.S. and abroad.

GSI Did Inadequate Due Diligence to Confirm that the Bonds it Liquidated For FFI1 Were Obtained Through SITME

⁸ Codified at 31 C.F.R. section 103.175(h) prior to March 1, 2011.

46. GSI did not begin to request information regarding the source of the bonds, which consisted largely of order tickets, until February 2011. Nothing in the order tickets or any other documents requested by GSI and provided by FFI1 indicated whether the bonds were obtained through SITME, the number or types (individual, business, etc.) of customers that beneficially owned the bonds, or other information either relevant to determining whether the transactions were suspicious or necessary to assessing the AML risk of the transactions and overall activity. In the face of red flags, GSI failed to conduct adequate due diligence to satisfy itself that the underlying transactions by FFI1's customers had a legitimate business purpose.

47. Additionally, GSI did not conduct reasonable due diligence regarding, among other things, FFI1's process of onboarding its customer accounts, involvement of politically exposed persons, and monitoring of its customers' account activity in order to gauge FFI1's AML risk.

48. On March 4, 2011, nearly four months after FFI1 first began liquidating bonds through GSI and after it liquidated over 39,000 bonds (over \$28 million), FFI1 and GSI entered into an agreement (the "FFI1 Agreement") that set forth the terms of the relationship and the roles and responsibilities of each party. The FFI1 Agreement stated, among other things, that FFI1 would deposit "positions approved by the SITME and acceptable under Venezuelan law"

49. GSI did not perform reasonable due diligence or monitoring of the activity in the FFI1 account. Specifically, GSI's due diligence and monitoring consisted of nothing more than (1) researching information regarding SITME; (2) obtaining oral representations from representatives of FFI1 that all bonds deposited would be obtained through SITME; (3) obtaining statements in the FFI1 Agreement that all bonds deposited would be obtained through SITME; (4) beginning in February 2011, review of order tickets related to FFI1's acquisition of the bonds

(which did not indicate whether the bonds were obtained through SITME); and (5) reviewing FFII's requests to wire funds to match up the amounts of wires with liquidation proceeds.

50. The Firm failed to conduct appropriate due diligence when the transactional activity in the FFII account did not comport with the limitations assigned under the SITME program. The measures taken by the Firm, as listed above, were insufficient because they never addressed the actual risks posed by this business, which required the Firm to understand the source of funds, how the bonds were purchased and for whom these exchanges were to benefit. The fundamental risks of corruption, politically exposed persons, sanctioned individuals/entities and narco-trafficking that is embedded in the Venezuelan financial sector were never appreciated by the Firm and were not taken into account when presented with the red flags, alleged below, indicating that the business activity was inconsistent with what was being represented.

51. During the Review Period, GSI's AMLCO, asked a GSI fixed income trader, to inquire whether FFII would be willing to provide information regarding the underlying customers for whom FFII was liquidating the bonds. The trader did so, and reported that FFII declined to provide that information, citing unidentified Venezuelan secrecy laws. Although GSI's AMLCP provided that customer refusal to provide such basic information is a red flag, the Firm continued to rely upon FFII's general representations that all of its bond liquidations were approved through SITME.

52. As a result, GSI had no information regarding the customer(s) on whose behalf FFII was acting, including how many underlying customers were involved in the transactions, or the types of customers engaged in the activity. Without information regarding allocations of a block of bonds among multiple customers, GSI was unable to determine whether the bonds FFII deposited exceeded SITME's daily or monthly limits, which would be a red flag that the bonds were not actually obtained through SITME.

53. The Firm relied upon the FFII Agreement and general representations from representatives of FFII that the bonds it would be receiving were obtained through SITME for the purpose of currency conversion, despite the presence of red flags to the contrary. The Firm failed to obtain documentary evidence to confirm the accuracy of these representations with respect to any of the bonds it received from FFII.

54. At least with respect to the larger bond liquidations, all of the bonds were either purchased by FFII from other Venezuelan banks or received from FFII's account at two other U.S. broker-dealers. This raised red flags that the bonds were not obtained through SITME, and may have involved layering by the customer. For most of them, the Firm failed to obtain the date and/or price at which FFII acquired the bonds (which would allow the Firm to confirm that the bonds were at least available through SITME), and the Firm lacked the information necessary to identify the original source of the bonds.

55. As alleged above, the SITME system could not meet demand. Therefore, a secondary market sale of one Venezuelan bank's SITME allocation to another raised a red flag because the transaction did not make economic sense: The selling bank would likely have more demand from its own customers than supply of bonds. Additionally, this secondary market trading is inconsistent with the SITME regime as it is anticipated that banks are allocated bonds to be sold to their approved clients and not another bank. This activity raised red flags that SITME-allocated bonds may end up in the possession of non-SITME approved customers through secondary market trades.

GSI Ignored Red Flags Indicating That FFII Was Liquidating Bonds That Were Not Obtained Through SITME

56. GSI declined to implement its AMLCP with regard to Venezuelan bond liquidations on the assumption that the bonds were all obtained through SITME, but FFII's liquidations

raised red flags as the bond liquidation activity was inconsistent with the known limitations imposed by the SITME system. For example, as alleged below, FFII requested numerous liquidations that exceeded certain daily or monthly limits established by SITME, constituted an implausibly outsized portion of average daily liquidations of SITME bonds, were significantly larger than FFII's historical daily liquidations of bonds, or involved bonds that were not even available through SITME at the time.

57. Throughout the Review Period, FFII regularly deposited and liquidated Venezuelan bonds at GSI that exceeded the daily and monthly dollar limits applicable to either corporations or individuals. Specifically, 238 of FFII's 595 bond liquidations during the Review Period exceeded the \$350,000 monthly limit for corporations (the individual limit was lower), and 550 of the bond liquidations exceeded the \$50,000 daily limit for corporations. GSI failed to request documentation to establish that these bonds were obtained through SITME for the purpose of currency conversion. Instead, GSI accepted FFII's representation, without obtaining supporting documents, that it was aggregating transactions for its customers.

58. On two occasions, FFII liquidated Venezuelan bonds through GSI that accounted for an inordinately large percentage of the average daily volume of SITME transactions, as follows:

- a. On August 2, 2011, GSI sold 15,754 Venezuelan bonds for FFII for \$12,917,530.42, which was approximately 36 percent of the average daily volume in SITME transactions.
- b. On October 18, 2011, GSI sold 15,291 Venezuelan bonds for FFII for \$11,126,363.50, which was approximately 31 percent of the average daily volume in SITME transactions.

59. During the Review Period, FFII's average daily volume of bond liquidations was approximately 1,250 bonds (approximately \$940,000) and ranged from 65 bonds (approximately

\$46,000) to 15,754 bonds (nearly \$13 million). On 9 days, FFII liquidated bonds totaling at least twice its average daily volume. The Firm failed to identify the red flag that the large transactions were inconsistent with FFII's normal trading pattern.

60. On several occasions, FFII sold bonds from its account at GSI when the bonds were not yet available through SITME. Specifically:

PDVSA 2022

- a. Between February 17, 2011 and February 22, 2011, in four transactions, FFII sold, through its account at GSI, 2,193 PDVSA 12 ¾ 2/17/22 (PDVSA 2022) bonds.
- b. On or about February 22, 2011, the Firm printed a copy of the BCV's list of bonds available through SITME and their price ranges. The PDVSA 2022 bond did not appear.
- c. The PDVSA 2022 bonds first appeared on the BCV website as being available through SITME on February 23, 2011.

Venezuela 2031

- a. Between August 2, 2011 and August 3, 2011, in five transactions, FFII sold 19,158 Venezuela 11.95 8/5/31 (Venezuela 2031) bonds from its account at GSI.
- b. The Venezuela 2031 bonds were not available through SITME until August 8, 2011.

Venezuela 2026

- a. Between October 17, 2011 and October 21, 2011, in eight transactions, FFII sold 25,376.5 Venezuela 11 ¾ 10/21/26 (Venezuela 2026) bonds from its account at GSI.

- b. The Venezuela 2026 bonds were not available through SITME until October 24, 2011.

Customer FFI2

61. FFI2 is a bank based in Curacao. FFI2 conducts business in Curacao exclusively for Venezuelans pursuant to an offshore banking license as defined by 31 C.F.R. section 1010.605(i).⁹ As an offshore bank, FFI2's account was subject to "enhanced due diligence" under the Firm's AMLCP and 31 C.F.R. section 1010.610(b).

62. FFI2 is a subsidiary of FFI3, which is a Venezuelan financial services company primarily engaged in banking.

63. At all times relevant to this Complaint, FFI3, which was not a customer of GSI, and FFI2 were foreign financial institutions under the BSA as defined in 31 C.F.R. section 1010.605(f).

64. Curacao is both a tax haven and bank secrecy haven. As such, it should have been considered one of the "High-Risk Countries" under GSI's AMLCP. Because FFI2 was an offshore bank based in a tax haven and a secrecy haven, FFI2 should have been considered a "High-Risk Business Entit[y]" under GSI's AMLCP.

65. On March 4, 2011, the same date as the FFI1 Agreement alleged above, GSI and FFI3 entered into a contract (the "FFI3 Agreement") that codified the terms of the relationship between GSI and FFI2 and set forth the responsibilities and expectations of each party.

66. On or about March 14, 2011, FFI2 opened an account at GSI. Prior to GSI opening the FFI2 account, a representative of FFI3 contemporaneously represented that it planned to deposit large denominations of Venezuelan bonds obtained through SITME into the FFI2

⁹ Codified at 31 C.F.R. section 103.175(k) prior to March 1, 2011.

account, liquidate those bonds in U.S. dollars, and wire the proceeds to FFI2's account at another financial institution.

67. Between April 2011 and September 2012, FFI3 delivered Venezuelan bonds into FFI2's account at GSI, and then sold the bonds and wired the proceeds to FFI2's accounts at financial institutions in the U.S. and abroad, as follows:

- a. FFI2 made 581 deposits of Venezuelan bonds with an aggregate nominal value of \$541,838,500 and an average nominal value of more than \$930,000 per deposit.
- b. FFI2 effected 575 sales of Venezuelan bonds with aggregate proceeds of \$431,297,033 and average proceeds of \$750,081.
- c. FFI2 directed GSI to send 311 outgoing wire transfers totaling \$431,630,097 (averaging \$1,387,878) from FFI2's accounts at the Firm to its account at a U.S. financial institution or a German bank.

GSI Did Inadequate Due Diligence to Confirm that the Bonds it Liquidated For FFI2 Were Obtained Through SITME

68. Although the FFI2 account was subject to "enhanced due diligence" under the Firm's AMLCP and 31 C.F.R. section 1010.610(b), the Firm performed even less due diligence and less monitoring for suspicious transactions than for the FFI1 account.

69. At least 131 of the 581 deposits (totaling approximately 150,000 Venezuelan bonds) were delivered to FFI2 through third-party transfers from FFI3, FFI2's parent. GSI did not request or obtain any documentation (including order tickets) regarding how the bonds deposited in FFI2's account were obtained by FFI3. The Firm only requested and received forms and emails from FFI2 indicating that the bonds were being delivered from FFI3's account, but nothing in any documents provided by FFI2 indicated the number of FFI3's underlying

customers, the types of customers (individual, business, etc.), or whether the bonds were obtained through SITME. In the face of red flags, GSI failed to conduct adequate due diligence to satisfy itself that the underlying transactions by FFI2's customers had a legitimate business purpose.

70. Additionally, GSI did not conduct reasonable due diligence regarding, among other things, FFI2's process of onboarding its customer accounts, involvement of politically exposed persons, and monitoring of its customers' account activity in order to gauge FFI2's AML risk.

71. GSI did not perform reasonable due diligence or monitoring on the activity in the FFI2 account. Specifically, GSI's due diligence and monitoring consisted of nothing more than (1) researching information regarding SITME; (2) obtaining oral representations from representatives of FFI3 and FFI2 that all bonds deposited would be obtained through SITME; (3) obtaining statements in the FFI3 Agreement that all bonds deposited would be obtained through SITME; and (4) reviewing FFI2's requests to wire funds to match up the amounts of wires with liquidation proceeds.

72. The Firm failed to even request underlying order tickets, as it had for a limited number of transactions in the FFI1 account. As with FFI1, GSI failed to conduct adequate due diligence to satisfy itself that the underlying transactions by FFI2's customers had a legitimate business purpose.

73. Additionally, GSI did not conduct reasonable due diligence regarding, among other things, FFI2's process of onboarding its customer accounts, involvement of politically exposed persons, and monitoring of its customers' account activity.

74. Moreover, because FFI2 was an offshore bank, triggering the Firm's EDD obligation, it was required to obtain information regarding the bank's AML program, whether it had accounts for foreign correspondent accounts, and whether it obtained information regarding

those foreign correspondent accounts' AML policies and procedures. The Firm failed to obtain much of this information.

75. The Firm failed to conduct appropriate due diligence when the transactional activity in the FFI3 accounts did not comport with the limitations assigned under the SITME program. The measures taken by the Firm, as listed above, were insufficient because they never addressed the actual risks posed by this business. Those measures required the Firm to understand the source of funds, how the bonds were purchased and whom these exchanges were to benefit. The fundamental risks of corruption, politically exposed persons, sanctioned individuals/entities and narco-trafficking that are embedded in the Venezuelan financial sector were never appreciated by the Firm and were not taken into account when presented with the red flags alleged below indicating that the business activity was inconsistent with what was being represented.

76. In early 2012, GSI's AMLCO asked FFI2's chief compliance officer whether FFI2 or FFI3 would be willing to provide information regarding the underlying customers for whom FFI2 was liquidating the bonds. FFI2's chief compliance officer refused to provide that information, citing unidentified secrecy laws. Although GSI's AMLCP provided that customer refusal to provide such basic information is a red flag, the Firm continued to rely upon FFI2's general representations that all of its bond liquidations were approved through SITME.

77. As a result, GSI had no information regarding the customer(s) for whom FFI3, through FFI2, was acting, including how many underlying customers were involved in the transactions, or the types of customers engaged in the activity. Without information regarding allocations of a block of bonds among multiple customers, GSI was unable to determine whether the bonds FFI2 deposited exceeded SITME's daily or monthly limits, which would be a red flag that the bonds were not actually obtained through SITME.

78. The Firm exclusively relied upon the FFI3 Agreement and general representations from representatives of FFI3 and FFI2 that the bonds it would be receiving were obtained through SITME for the purpose of currency conversion, despite the presence of red flags to the contrary. The Firm failed to obtain documentary evidence to confirm the accuracy of these representations with respect to any of the bonds it received by FFI3.

79. The Firm obtained information and documents that all of the bonds FFI2 received into its account at GSI were delivered from FFI3; however, the Firm failed to obtain the date and/or price at which FFI3 acquired the bonds (which would allow the Firm to confirm that the bonds were at least available through SITME), and the firm lacked the information necessary to identify the original source of the bonds.

GSI Ignored Red Flags Indicating That FFI2 Was Liquidating Bonds That Were Not Obtained Through SITME

80. GSI declined to implement its AMLCP with regard to Venezuelan bond liquidations on the assumption that the bonds were all obtained through SITME, but FFI2's liquidations raised red flags as the bond liquidation activity was inconsistent with the known limitations imposed by the SITME system. For example, as alleged below, FFI2 requested numerous liquidations that exceeded certain daily or monthly limits established by SITME, constituted a substantial portion of average daily liquidations of SITME bonds, and were significantly larger than FFI2's historical daily liquidations of bonds.

81. Throughout the Review Period, FFI2 regularly deposited and liquidated Venezuelan bonds at GSI that exceeded the daily and monthly dollar limits applicable to either corporations or individuals. Specifically, 440 of FFI2's 575 bond liquidations during the Review Period exceeded the \$350,000 monthly limit for corporations (the individual limit was lower), and 564 of the bond liquidations exceeded the \$50,000 daily limit for corporations. GSI failed to request

documentation to establish that these bonds were obtained through SITME for the purpose of currency conversion. Instead, GSI accepted FFI2's explanation, without obtaining supporting documents, that it was aggregating transactions for its customers.

82. On sixteen dates, FFI2 liquidated Venezuelan bonds through GSI that constituted at least ten percent of the average daily volume of SITME transactions, as follows:

- a. On February 2, 2012, GSI sold 5,682 Venezuelan bonds for FFI2 for \$4,362,408, which was approximately 12 percent of the average daily volume in SITME transactions.
- b. On April 25, 2012, GSI sold 6,517 Venezuelan bonds for FFI1 for \$5,637,738, which was approximately 16 percent of the average daily volume in SITME transactions.
- c. On May 14, 2012, GSI sold 4,927 Venezuelan bonds for FFI2 for \$3,885,871, which was approximately 11 percent of the average daily volume in SITME transactions.
- d. On May 15, 2012, GSI sold 6,956 Venezuelan bonds for FFI2 for \$5,500,018, which was approximately 15 percent of the average daily volume in SITME transactions.
- e. On May 17, 2012, GSI sold 5,771 Venezuelan bonds for FFI2 for \$4,316,581, which was approximately 12 percent of the average daily volume in SITME transactions.
- f. On May 18, 2012, GSI sold 5,503 Venezuelan bonds for FFI2 for \$4,265,920, which was approximately 12 percent of the average daily volume in SITME transactions.

- g. On May 23, 2012, GSI sold 5,398 Venezuelan bonds for FFI2 for \$4,518,539, which was approximately 13 percent of the average daily volume in SITME transactions.
- h. On May 24, 2012, GSI sold 5,986 Venezuelan bonds for FFI2 for \$4,670,851, which was approximately 13 percent of the average daily volume in SITME transactions.
- i. On May 29, 2012, GSI sold 6,595 Venezuelan bonds for FFI2 for \$4,751,693, which was approximately 13 percent of the average daily volume in SITME transactions.
- j. On June 13, 2012, GSI sold 5,935 Venezuelan bonds for FFI2 for \$4,543,068, which was approximately 13 percent of the average daily volume in SITME transactions.
- k. On June 20, 2012, GSI sold 4,472 Venezuelan bonds for FFI2 for \$3,920,006, which was approximately 11 percent of the average daily volume in SITME transactions.
- l. On July 18, 2012, GSI sold 4,754 Venezuelan bonds for FFI2 for \$3,875,847, which was approximately 11 percent of the average daily volume in SITME transactions.
- m. On July 20, 2012, GSI sold 4,454 Venezuelan bonds for FFI2 for \$3,865,952, which was approximately 11 percent of the average daily volume in SITME transactions.
- n. On September 4, 2012, GSI sold 5,665 Venezuelan bonds for FFI2 for \$4,441,241, which was approximately 12 percent of the average daily volume in SITME transactions.

- o. On September 6, 2012, GSI sold 5,696 Venezuelan bonds for FFI2 for \$4,595,698, which was approximately 13 percent of the average daily volume in SITME transactions.
- p. On September 10, 2012, GSI sold 5,644 Venezuelan bonds for FFI2 for \$4,803,524, which was approximately 13 percent of the average daily volume in SITME transactions.

83. During the Review Period, FFI2's average daily volume of bond liquidations was approximately 1,700 bonds (approximately \$1.3 million) and ranged from 3 bonds (approximately \$1,900) to approximately 6,900 bonds (approximately \$5.6 million). On 31 days, FFI2 liquidated bonds totaling at least twice its average daily volume. The Firm failed to identify the red flag that the large transactions were inconsistent with FFI2's normal trading pattern.

CAUSE OF ACTION
Inadequate Anti-Money Laundering Compliance Program
(FINRA Rules 3310(a) and (b) and 2010)

84. The Department realleges and incorporates by reference paragraphs 1–83 above.

85. FINRA Rule 3310 requires each member to “develop and implement a written anti-money laundering program reasonably designed to achieve and monitor the firm’s compliance with the requirements of the BSA, and the implementing regulations promulgated thereunder by the Department of the Treasury.”

86. GSI was required, as a “covered financial institution” under the BSA implementing regulation,¹⁰ to establish a due diligence program that included, among other things, risk-based procedures and controls reasonably designed to enable GSI to detect and report, on an ongoing

¹⁰ 31 C.F.R. § 1010.610(a).

basis, any known or suspected money laundering activity conducted through or involving any of its correspondent accounts.

87. During the Review Period, GSI failed to establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. section 5318(g), and failed to establish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the BSA and the implementing regulations thereunder.

88. Specifically, the Firm's AMLCP failed to address its Venezuelan bond liquidation activity, notwithstanding that this business accounted for the majority of its revenues and its two bond liquidation customers, FFI1 and FFI2, were its largest customers.

89. GSI also failed to implement its existing AMLCP with respect to its Venezuelan bond liquidation business. GSI had an AML monitoring and compliance program, but the Firm failed to assess adequately the risk of its Venezuelan bond liquidation business and failed to implement many of its due diligence and monitoring requirements and controls with respect to activity in the FFI1 and FFI2 accounts. GSI unreasonably assumed that the customers were only depositing bonds obtained through SITME for currency conversion purposes, and that Venezuelan government oversight of SITME transactions was a reasonable substitute for the Firm's own monitoring of customer activity. As a result, GSI's primary ongoing monitoring and periodic review consisted of matching wire requests to liquidation proceeds.

90. The Firm's assumption that FFI1 and FFI2 were only depositing bonds obtained through SITME for currency conversion purposes, and its assessment that the risk presented by its customer activity was correspondingly low, was unreasonable. The Firm was or should have been aware of numerous red flags related to its customers' Venezuelan bond liquidations, including:

- a. FATF formally designated Venezuela as a jurisdiction having “strategic AML/CFT deficiencies” both before the FFI1 and FFI2 accounts were opened and during the entire Review Period.
- b. According to the U.S. Department of State, United Nations Office on Drugs and Crime Bureau for International Narcotics and Law Enforcement Affairs, and contemporaneous news articles, accounts from Venezuela presented a litany of money laundering risks, some of which were specifically tied to its system of currency exchange controls.
- c. There was a well-known black market for obtaining Venezuelan currency because SITME and CADIVI provided a limited currency exchange mechanism that failed to meet demand, both before the FFI1 and FFI2 accounts were opened and during the entire Review Period.
- d. The volume of the customers’ requested transactions repeatedly exceeded the daily and monthly limits for individual customers, and the Firm never obtained information regarding allocations of the liquidations among number or types of customers involved. Without investigating whether deposits of Venezuelan bonds were allocated among multiple customers, and in which amounts, GSI was unable to verify claims by FFI1 and FFI2 that their deposits were on behalf of multiple customers and that none of the deposits exceeded the daily and monthly limits applicable to those types of customers.
- e. On several occasions, both FFI1 and FFI2 liquidated inordinately large blocks of bonds relative to the average daily volume of SITME transactions. The customers’ deposit of a block of bonds that would constitute a large

percentage of bonds available through SITME on any given day raised the possibility that not all of the bonds were obtained through SITME.

- f. On numerous occasions, the banks' daily liquidations deviated from its normal trading pattern.
- g. On several occasions, GSI liquidated bonds for FFI1 that were not yet available for purchase under SITME.
- h. FFI1 regularly received bonds into its GSI account from other Venezuelan banks and other U.S. broker-dealers, not directly from the BCV.

GSI relied unreasonably on SITME and its regulation as a substitute, in large part, for the Firm's due diligence and monitoring.

91. To assess the money laundering risk presented by foreign correspondent account customers FFI1 and FFI2, GSI was required to examine the following factors:

- a. "the nature of the foreign financial institution's business and the market it serves;"
- b. "the type, purpose, and anticipated activity of such correspondent account;"
- c. "the nature and duration of the covered financial institution's relationship with the foreign financial institution (and any of its affiliates);"
- d. "the anti-money laundering and supervisory regime of the jurisdiction that issued the charter or license to the foreign financial institution; and"
- e. "information known or reasonably available to the covered financial institution about the foreign financial institution's anti-money laundering record. . . ."¹¹

¹¹ 31 C.F.R. § 1010.610(a)(2).

92. GSI's risk-based procedures for monitoring correspondent accounts were also required to include "a periodic review of the correspondent account activity sufficient to determine consistency with information obtained about the type, purpose, and anticipated activity of the account."¹²

93. GSI failed to adequately assess the money laundering risk presented by the correspondent accounts for its two foreign financial institution customers, FFI1 and FFI2.

94. In addition, for customer FFI2, GSI failed to reasonably fulfill its "enhanced due diligence" requirements, including an extensive risk assessment of the account and, particularly, inquiry into "the sources and beneficial ownership of funds or other assets of such persons in the correspondent account."

Based upon the foregoing, the Firm's procedures and internal controls for monitoring suspicious activity and conducting due diligence on its correspondent accounts for foreign financial institutions, especially the FFI2 account, which required enhanced due diligence, were inadequate and not reasonably designed to monitor and achieve compliance with the requirements of the BSA relating to foreign financial institutions. As a result of such conduct, GSI violated FINRA Rules 3310(a) and (b) and 2010.

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

¹² 31 C.F.R. § 1010.610(a)(3).

SANCTIONS

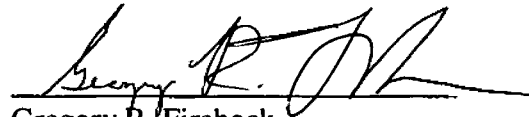
It is ordered that Respondent be censured and fined \$200,000.¹³

Respondent agrees to pay the monetary sanctions upon notice that this Offer has been accepted and that such payments are due and payable. Respondent has submitted an election of payment form showing the method by which it proposed to pay the fine imposed. 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 black ink, appearing to read "Gregory R. Firehock", is written over a horizontal line.

Gregory R. Firehock
Senior Litigation Counsel
FINRA Department of Enforcement
15200 Omega Drive, Third Floor
Rockville, MD 20850
301.258.8527 (tel.)
202.721.8315 (fax)

¹³ Respondent will pay \$25,000 upon notice that this Offer has been accepted and that such payment is due and payable. Thereafter, Respondent will pay the remainder of the fine, including interest, in 42 equal monthly installments.