

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

Department of Enforcement,

Complainant,

v.

Freedom Investors Corp. (CRD No. 23714),

Respondent.

Disciplinary Proceeding

No. 2011025706401

Hearing Officer DMF

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: 7/31/15

INTRODUCTION

Disciplinary Proceeding No. 2011025706401 was filed on August 18, 2014, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) ("Complainant"). Respondent, Freedom Investors Corp. ("Respondent" or "Freedom" or the "Firm") submitted an Offer of Settlement ("Offer") to Complainant dated July 27, 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 Amended 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 Amended 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

Freedom currently is a FINRA-registered firm and has been since February 1989. It engages in a general securities business and, during the Relevant Period, employed approximately 20 registered representatives in 3 branches.

FINDINGS AND CONCLUSIONS

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

SUMMARY

1. Between January 1, 2011 and September 30, 2011 (the "Relevant Period"), the Firm failed to establish, maintain, and enforce a supervisory system reasonably designed to achieve compliance with Section 5 of the Securities Act of 1933 (the "Securities Act").
2. In addition, during the Relevant Period, the Firm failed to implement an anti-money laundering ("AML") compliance program that was tailored to the Firm's business and reasonably designed to detect and cause the reporting of suspicious transactions. More specifically, the Firm failed to implement a system reasonably designed to detect and investigate AML red flags associated with the deposit and liquidation of low-priced securities.
3. As a result of these failures, the Firm violated NASD Rules 3010(a) and (b), and FINRA Rules 3310(a) and 2010.

RESPONDENT AND JURISDICTION

4. Freedom currently is a FINRA-registered firm, and has been since February 1989. It engages in a general securities business and, during the Relevant Period, employed approximately 20 registered representatives in 3 branches.

FACTS COMMON TO ALL COUNTS

5. NASD Rule 3010(a) requires FINRA-registered firms to establish and maintain a supervisory system that is reasonably designed to achieve compliance with applicable securities laws and regulations and FINRA Rules. NASD Rule 3010(b) requires each FINRA-registered firm to establish, maintain, and enforce written supervisory procedures that are reasonably designed to ensure compliance with the applicable securities laws and regulations and FINRA rules.

6. FINRA Rule 3310(a) requires FINRA-registered firms to establish and implement policies and procedures reasonably designed to detect and cause the reporting of transactions under the Bank Secrecy Act (“BSA”) and the BSA’s implementing regulations promulgated by the Department of the Treasury.

7. As detailed below, during the Relevant Period, Freedom violated NASD Rule 3010 by failing to establish, maintain, and enforce a supervisory system reasonably designed to detect and prevent violations of Section 5 of the Securities Act (“Section 5”). During the Relevant Period, Freedom also violated FINRA Rule 3310(a) by failing to implement an AML compliance program reasonably designed to detect and, where appropriate, report suspicious activity.

I. Freedom's WSPs Did Not Adequately Address Its Section 5 Supervisory Responsibilities.

8. Section 5 prohibits the offer or sale of any security unless there is a registration statement in effect for that security or unless the transaction qualifies for an exemption from registration.

9. Broker-dealers must, in order to ensure that they are not participating in or facilitating the offer or sale of unregistered securities in violation of Section 5, conduct a "reasonable inquiry" of the circumstances surrounding a customer's sale of securities.

10. Under certain circumstances, such as when the security involved is little-known, or when the facts suggest that the seller may simply be an intermediary for controlling persons or a statutory underwriter, broker-dealers must conduct a "searching inquiry" of the circumstances surrounding a customer's acquisition and sale of the security.

11. During the first six months of the Relevant Period, Freedom failed to establish, maintain, and implement adequate procedures addressing the Firm's supervisory responsibilities relating to the detection and prevention of unregistered distributions of securities in violation of Section 5.

12. Between January and July 2011, Freedom's written supervisory procedures ("WSPs") contained inadequate procedures specifying the steps that the Firm would take to determine whether securities deposited by Firm customers were registered or otherwise freely tradable.

13. In fact, between January and July 2011, the Firm's WSPs did not specifically require any such determination to be made at all.

14. Instead, as detailed below, Freedom relied both upon other broker-dealers and upon its clearing firm to make this critical, threshold determination.

II. Freedom Failed To Comply With Its AML Procedures, Which Required The Firm To Adequately Monitor Customer Activity For Red Flags.

15. During the Relevant Period, Freedom's WSPs relating to AML (its "AML Procedures"), required the Firm to review and monitor new accounts, existing accounts, security positions, and disbursements of funds or securities to identify potentially suspicious activity.

16. The Firm's AML Procedures identified numerous "red flags" indicative of potential money laundering or other suspicious activities.

17. Under its AML Procedures, the Firm was required to monitor for these red flags using available exception reports or a review of a sufficient amount of account activity to permit the identification of patterns of potentially suspicious activity.

18. Freedom, however, failed to proactively monitor for red flags and instead reacted to inquiries from its clearing firm, SWS, relating to customers and potentially suspicious activity. Under the terms of Freedom's clearing agreement with SWS (the "Clearing Agreement"), however, Freedom was "responsible for insuring that all transactions in and activities related to all Accounts opened by it with [SWS], including discretionary Accounts, will be in compliance with all applicable laws, rules and regulations of the United States, the states thereof, and regulatory and self-regulatory agencies and bodies" The Clearing Agreement further imposed an obligation on Freedom to monitor its customer activity and file any necessary suspicious activity reports.

19. Under the Clearing Agreement, Freedom was solely responsible for ensuring compliance with Section 5 by verifying that its customers' sales were of securities that were

registered or that were otherwise freely tradable. Specifically, the Clearing Agreement provided that:

With respect to any securities certificates delivered to [SWS] for a Customer of [Freedom], an officer of [Freedom] shall verify and warrant (i) that any securities not bearing a restricted legend are fully paid for and freely tradable; (ii) that [Freedom] has no reason to suspect any defect or irregularity with respect to any securities and any endorsements thereon . . . and (v) that the regulatory requirements restricting the sale or transfer of securities that bear a restrictive legend (pursuant to SEC Rules 144 or 145 or otherwise) have been satisfied or will be satisfied within the appropriate time frames.

Upon instruction from [Freedom] and/or a Customer, [SWS] will make such transfers of securities or Accounts as may be requested. [Freedom] shall be responsible for determining if any securities held in [Freedom] or Customer Accounts are “restricted securities” or “control stock” as defined by the rules of the SEC and that orders executed for such securities are in compliance with the applicable laws, rules and regulations.

20. The Firm’s AML Procedures vested responsibility for overseeing the Firm’s AML compliance program in a designated AML Compliance Officer (“AMLCO”). During the Relevant Period, AS was the Firm’s AMLCO.

III. The Firm’s “System” To Monitor For And Investigate AML Red Flags And Section 5 Red Flags Was Inadequate.

21. Although the Firm’s AML Procedures identified numerous “red flags” of potentially suspicious activity (among them unregistered distributions in violation of Section 5), the Firm failed to implement an adequate system to detect and investigate those red flags.

22. The AML-related red flags identified by the Firm’s AML Procedures included the following (among others):

- 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 is from, or has accounts in, a country identified as a non-cooperative country or territory by the Investors [sic] Action Task Force (FATF).
- The customer engages in suspicious activity involving the practice of depositing penny stocks, liquidates them, and wires proceeds. A request to liquidate shares may also represent engaging in an unregistered distribution of penny stocks which may also be a red flag.
- The customer engages in transactions involving cash or cash equivalents or other monetary instruments that appear to be structured to avoid the \$10,000 government reporting requirements, especially if the cash or monetary instruments are in an amount just below reporting or recording thresholds.
- The customer, for no apparent reason or in conjunction with other “red flags,” engages in transactions involving certain types of securities, such as penny stocks, Regulation “S” (Reg S) stocks, and bearer bonds, which 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.)

23. During the Relevant Period, the Firm failed to establish and implement an AML compliance program reasonably designed to monitor for, and if detected, adequately investigate these (and other) red flags.

24. For instance, the Firm failed to perform any due diligence or research to determine whether a customer or person publicly associated with a customer had a questionable background or was the subject of news reports indicating possible criminal, civil, or regulatory violations. In practice, SWS performed such reviews and Freedom reacted to inquiries from SWS regarding customers with potentially questionable backgrounds. In addition, during the Relevant Period, Freedom failed to implement a system reasonably designed to detect and investigate suspicious trading in penny stocks, including potential unregistered distributions.

25. The Firm's AML Procedures required that it contemporaneously monitor penny stock activity for potentially suspicious activity, including unregistered distributions of securities and manipulative trading.

26. Notwithstanding the AML Procedures' emphasis on monitoring penny stock activity generally (and in particular to identify unregistered distributions), during the Relevant Period, the Firm: (a) failed to implement a system reasonably designed to detect unregistered distributions involving penny stocks; and (b) failed to implement a system reasonably designed to detect suspicious patterns of penny stock deposits, liquidations, and transfers potentially indicative of fraudulent or manipulative trading schemes.

A. The Firm Failed To Independently Verify The Tradability Of Customer Penny Stock Deposits.

27. During the Relevant Period, the Firm failed to systematically perform or document any independent verification of the circumstances under which Firm customers obtained thinly traded low-priced securities that they sought to deposit at the Firm.

28. For example, when Firm customers sought to deposit penny stocks in certificate form, the Firm did not independently verify the circumstances under which the customer obtained the securities or the validity of the stock certificates.

29. Similarly, when customers sought to deposit securities via the Automated Customer Account Transfer Service ("ACAT"), the Firm did not systematically perform or document any review of the securities to be deposited or independently verify the circumstances under which the securities were acquired by the customer.

30. As a general matter, during the Relevant Period, security deposits—whether by certificate or ACAT—were not reviewed for Section 5 or AML-related red flags by the Firm.

Rather, the Firm forwarded such deposits to SWS and reacted to inquiries from SWS regarding red flags.

31. As a consequence of the above deficiencies, during the Relevant Period, when Firm customers sought to deposit penny stocks via ACAT, the Firm failed to systematically conduct or document adequate due diligence relating to the customer's identity and location, how the customer acquired the security, the customer's relationship (if any) to the issuer of the security, and the security itself.

B. The Firm Failed To Implement An Adequate System To Monitor For Suspicious Patterns Of Penny Stock Trading.

32. During the Relevant Period, the Firm's system for detecting patterns of suspicious penny stock activity—such as the deposit of penny stocks, liquidation, and subsequent wiring of proceeds from the account—was not reasonably designed to ensure that such activity would be detected.

33. During the Relevant Period, the Firm's AMLCO conducted inadequate reviews for this type of activity. She only would have become aware of such activity if she had been informed of it by JB, who was responsible for supervising penny stock transactions.

34. Instead, the Firm's detection of this type of pattern was dependent entirely on JB's ability, during normal supervisory reviews of trading activity, to "connect the dots" based on his memory. To do so, JB would have had to: (i) see an outgoing wire transfer in a customer account; (ii) remember that the specific customer account from which the wire transfer was sent had previously liquidated a penny stock; and (iii) remember the timing and circumstances surrounding the deposit of that specific penny stock by that customer account.

35. By relying solely on JB's ability to "connect the dots" by memory, the Firm failed, during the Relevant Period, to implement a system reasonably designed to detect patterns of potentially suspicious activity, including the deposit of penny stocks, liquidation of those stocks, and subsequent wiring of the proceeds from the account.

C. The Firm Failed To Implement An Adequate System To Monitor For Suspicious Patterns Of Money Movements.

36. During the Relevant Period, Freedom's clearing firm made certain AML-related exception reports available for download and review by Freedom to assist Freedom with fulfilling its AML surveillance responsibilities. One such exception report—titled the "Anti-Money Laundering Trend Report"—was designed to capture patterns of suspicious money movements (such as structuring) for review.

37. The Anti-Money Laundering Trend Report listed accounts with money movements from the previous business day totaling at least \$10,000 and also included the previous three months of similar activity for those accounts and linked related account activity for those accounts.

38. Notwithstanding the availability of the Anti-Money Laundering Trend Report, neither JB (the Firm's president) nor AS (the Firm's AMLCO) regularly accessed or reviewed the Anti-Money Laundering Trend Report for at least several months during the Relevant Period.

39. According to AS, during the Relevant Period, she reviewed a report that showed money movements from the previous business day, but no report that showed money movements over any extended period of time. To detect problematic patterns of money movements during the Relevant Period, AS explained that she would have had to have seen a transaction that she was not familiar with and then manually reviewed historical reports showing the daily activity

(which, according to AS, the Firm retained in a binder) to determine whether it was part of a problematic pattern.

40. By relying on this form of manual review (to the extent it was ever done) and failing to download and review the Anti-Money Laundering Trend Report, the Firm failed, during the Relevant Period, to implement a system reasonably designed to detect patterns of potentially suspicious money movement activity.

IV. Red Flags Missed Or Inadequately Investigated By The Firm.

41. As a result of the Firm's inadequate system to monitor for and investigate AML and Section 5 red flags, the Firm failed, during the Relevant Period, to detect or adequately investigate numerous Section 5 and AML-related red flags appearing in certain problematic accounts.

42. The failure of the Firm to detect and investigate these Section 5 and AML-related red flags is aggravated by the circumstances under which the problematic accounts were introduced to the Firm. Each of the accounts described below were customers of KM, a registered representative who began with the Firm in early 2011.

43. KM engaged in a substantial penny stock business, and previously had been associated with FINRA-registered firm ASC.

44. At the time KM left ASC to join Freedom, ASC had recently been disciplined for executing sales of unregistered securities on behalf of its customers, and for failing to implement a system reasonably designed to detect and prevent the sale of unregistered securities.

45. Prior to KM's association with ASC, KM was associated with FINRA-registered firm AISFI. On April 4, 2011, approximately six weeks after KM joined Freedom, a FINRA hearing panel expelled AISFI for failing to implement an adequate AML surveillance system and

permitting its customers to liquidate billions of shares of penny stocks under suspicious circumstances.

46. The fact that KM's previous firms had been disciplined for failing to implement a system reasonably designed to detect and prevent the sale of unregistered securities should have caused the Firm to engage in heightened scrutiny of KM's customers and penny stocks held by KM's customers that were being transferred into Freedom.

47. The Firm did not, however, subject KM's customers or their penny stock deposits and trading to such heightened scrutiny.

A. Failure To Detect, Investigate, Or Adequately Review For Red Flags In Connection With Stock Deposits By KM Customers.

48. As a result of the Firm's inadequate system to monitor for both Section 5 and AML red flags, the Firm failed to identify numerous red flags in connection with the deposit of a penny stock by KM's customer, SC, in early 2011.

49. SC's account opening paperwork and documents relating to his acquisition of 500,000 shares of a thinly-traded penny stock (Therapeutic Solutions International, Inc. f/k/a Friendly Auto Dealers, Inc. ("Therapeutic Solutions")) contained several red flags suggesting that SC may have been involved in an unregistered distribution of securities in violation of Section 5 and other suspicious activity.

50. For instance, the address provided by SC on his account paperwork was for a UPS store and was virtually identical to the address of Therapeutic Solutions, the issuer of the penny stock SC was seeking to deposit.

51. In addition, according to SC's stock deposit and account paperwork, SC had acquired the shares less than a year earlier but had already sold 340,000 of them.

52. Public records available at or around the time that SC deposited his Therapeutic Solutions shares also indicated that SC's company, GCLLC, owned a significant percentage of Therapeutic Solutions shares outstanding (more than 20%) and that Therapeutic Solutions had recently undergone a name-change (from Friendly Auto Dealers, Inc.). Those public records also identified an attorney, TM, as a major shareholder, owning 5,500,000 shares of Therapeutic Solutions. TM was the attorney who had provided KM's prior firm (ASC) with a legal opinion that SC's 500,000 shares in Therapeutic Solutions were freely tradable.

53. The documents provided to the Firm by SC also indicated that SC had acquired the 500,000 shares of Therapeutic Solutions in an unusual manner – purportedly as compensation for negotiating the settlement of a dispute between Therapeutic Solutions and a stock promotion company.

54. Finally, public records available at or around the time SC deposited his Therapeutic Solutions shares with Freedom indicated that Therapeutic Solutions had earned no revenue in 2009 or 2010 and total assets of one dollar as of December 31, 2010.

55. A reasonable inquiry would have detected these red flags, which should have resulted, at a minimum, in additional investigation into SC's relationship with Therapeutic Solutions, the circumstances surrounding his acquisition of the securities, and Therapeutic Solutions itself.

56. The Firm failed either to detect or to adequately investigate these red flags.

57. Because SC's penny-stock deposit was an ACAT, Freedom's AMLCO simply assumed that ASC (KM's prior firm, which had been disciplined for unregistered distributions involving penny stocks) had already verified the tradability of SC's shares and the circumstances surrounding SC's acquisition of the shares.

58. Accordingly, AS approved the opening of SC's account and the deposit of the Therapeutic Solutions shares without reviewing the circumstances under which SC had obtained the stock.

59. Freedom's blind reliance on another firm's purported due diligence on these issues would be unreasonable under any circumstance, but it was even more so here, given the disciplinary history of ASC with respect to unregistered distributions of penny stocks in violation of Section 5.

60. In a similar fashion, Freedom failed to adequately review for red flags and verify that the deposit of 1,292,465 shares of Mexus Gold US ("Mexus Gold") in early 2011 by KM's customer, WM, was not part of an unregistered distribution of securities.

61. Mexus Gold was a thinly-traded low-priced security. According to the stock deposit questionnaire completed by WM in connection with his deposit of Mexus Gold, Mexus Gold had recently undergone a name change (in November 2009), and for the 12 months preceding December 31, 2010, had negative \$326,213 of revenue. Public records available at or around the time of WM's deposit indicated that when Mexus Gold changed its name, it also reincorporated itself under the laws of the State of Nevada (having previously been a Colorado corporation).

62. Documents provided by WM also indicated that he had originally obtained two million shares of Mexus Gold pursuant to a "Consulting Agreement" as compensation for "[c]onsulting with the officer of the company on equipment purchases, equipment construction, and equipment values."

63. According to JB, because WM's deposit of Mexus Gold was an ACAT from a large FINRA-registered firm, and because WM was a long-term customer of KM, Freedom

performed no independent review and verification of the circumstances surrounding WM's acquisition of the Mexus Gold shares or to otherwise ensure that WM was not engaged in an unregistered distribution of Mexus Gold shares.

64. Finally, Freedom failed to adequately review for red flags in connection with KM customer JK's attempt to deposit five low-priced securities that JK sought to transfer to Freedom from her account at ASC. According to JB, he looked further into two of the issuers of the securities that JK was ACATing to the Firm because he recognized their names. He did not investigate further the three issuers that he did not recognize, nor did he explore the circumstances surrounding JK's acquisition of the five low-priced securities beyond speaking with KM or JC (another registered representative at Freedom who knew JK).

B. Failure To Adequately Investigate Suspicious Patterns Of Penny Stock Trading.

65. As alleged above, the Firm failed to implement an adequate system to monitor for and investigate potentially suspicious patterns of penny stock trading, including (as set forth in the Firm's AML red flags) the pattern of a penny stock deposit, liquidation, and outbound wire of the proceeds.

66. During the Relevant Period, Firm customers engaged in this pattern of activity, but the Firm failed to conduct an adequate investigation to determine whether or not the activity was suspicious.

67. For example, Firm customer KMLLC opened its account in March 2011 with an ACAT deposit (from ASC) of 445,000 shares of Gold Bag, Inc. ("Gold Bag"), a thinly-traded penny stock. Over the ensuing four months, KMLLC liquidated nearly all of its shares of Gold

Bag and periodically wired out the proceeds, totaling more than \$150,000. During this period of time, there was no other material activity in KMLLC's account.

68. Although JB claimed during the investigation that led to this disciplinary proceeding that he was aware of KMLLC's deposit of Gold Bag stock, and the later liquidations and wire transfers during the short time in which they occurred, the Firm failed to document that supposed awareness, much less any assessment of whether the pattern of activity constituted potentially suspicious activity.

69. In fact, Freedom failed to conduct a sufficient investigation to permit the Firm to determine whether KMLLC's Gold Bag stock deposits, liquidations, and wire transfers were suspicious. Although JB claimed during FINRA's investigation that he consulted KMLLC's registered representative, KM, regarding how KMLLC obtained the securities, JB did nothing to verify any of the information provided by KM.

70. Nor did Freedom conduct adequate due diligence on KMLLC or its principal, JM. In this respect, the Firm failed to detect that the principal of KMLLC (*i.e.*, JM) was publicly associated with a company called CMKM Diamonds, Inc. ("CMKM"). CMKM and its Chairman and CEO (among others) were defendants in a lawsuit brought by the SEC charging the defendants with violations of the registration requirements and anti-fraud provisions of the federal securities laws.

71. Under the Firm's AML Procedures, JM's public association with CMKM and its directors (*i.e.*, persons who were the subject of news reports indicating potential regulatory violations) was a red flag. Freedom, however, failed to detect this red flag and was unaware of JM's association with CMKM until informed of it by SWS, which was after KMLLC had already liquidated shares of Gold Bag and wired out the proceeds.

72. Because the Gold Bag shares were deposited via ACAT, Freedom improperly assumed that another firm (ASC, which previously had been disciplined for failing to supervise for unregistered distributions of penny stocks) had reviewed the securities and determined they were legitimately obtained and freely tradable.

73. For the same reason, Freedom also failed to conduct a sufficient investigation to permit the Firm to determine whether SC's liquidations of Therapeutic Solutions shares and subsequent wire transfers were suspicious. Almost immediately after customer SC deposited approximately 158,000 shares of Therapeutic Solutions stock, SC began liquidating the shares and wiring out the proceeds. The Firm improperly assumed that because the shares were deposited via ACAT (again from ASC, which previously had been disciplined for failing to supervise for unregistered distributions of penny stocks), they were legitimately obtained and freely tradable.

C. Failure To Investigate Account Located In High-Risk Jurisdiction.

74. In another instance of improper reliance on SWS, AS (the Firm's AML compliance officer) approved the opening of an account for customer HC, an entity which was located in a bank secrecy jurisdiction (Jersey, Channel Islands) that led AS to have AML-related concerns. AS did not take steps to investigate HC or otherwise to allay her AML-related concerns. Rather than take steps to investigate HC or otherwise allay her AML-related concerns, AS simply approved the opening of the account and forwarded it to the clearing firm, SWS.

FIRST CAUSE OF ACTION

Supervisory System – NASD Rule 3010(a) and (b)

75. Under NASD Rule 3010(a) Freedom was required to establish and maintain a supervisory system reasonably designed to achieve compliance with Section 5. Under NASD

Rule 3010(b) Freedom was required to establish, maintain, and enforce written supervisory procedures reasonably designed to ensure compliance with Section 5.

76. During six months of the Relevant Period (January 2011 through July 2011), the Firm failed to establish, maintain, and enforce adequate written procedures relating to due diligence required in connection with the deposit of securities (whether in certificate form or by ACAT) by its customers.

77. Between January and July 2011, the Firm's WSPs did not adequately address customer deposits of securities and whether the securities could be sold in compliance with Section 5.

78. Nor did the WSPs in effect during these six months provide adequate guidance as to the nature or extent of the inquiry the Firm was required to conduct to determine whether deposited securities could be sold in compliance with Section 5. For instance, the Firm's WSPs did not adequately specify either the information required to be reviewed, or the significance of such information in the context of determining whether securities could be sold in compliance with Section 5.

79. While the Firm obtained information relevant to determining whether securities could be sold in compliance with Section 5, the Firm failed to perform any meaningful review or evaluation of such information.

80. As a result of the foregoing conduct, the Firm violated NASD Rule 3010(a) and (b) and FINRA Rule 2010.

SECOND CAUSE OF ACTION

Anti-Money Laundering – FINRA Rule 3310(a)

81. Under FINRA Rule 3310, the Firm was required to implement a written AML program reasonably designed to achieve compliance with the requirements of the BSA and the BSA's implementing regulations promulgated by the Department of the Treasury.

82. At a minimum, the Firm was required to implement an AML program reasonably designed to detect and cause the reporting of suspicious transactions as required under 31 U.S.C. § 5318(g), and the implementing regulations promulgated thereunder.

83. FINRA requires each member firm to tailor its policies and procedures to the firm's own size, location, business activities, the types of accounts it maintains, and the types of transactions in which its customers engage.

84. As alleged above, during the Relevant Period, the Firm failed to implement an AML program tailored to its business that was reasonably designed to monitor for, detect and cause the reporting of suspicious transactions as required under 31 U.S.C. § 5318(g) and the implementing regulations promulgated thereunder in compliance with the BSA.

85. As a result, the Firm violated FINRA Rules 3310(a) and 2010.

Based on the foregoing, Respondent violated NASD Rule 3010 and FINRA Rules 3310(a) and 2010.

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

SANCTIONS

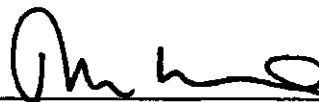
It is ordered that Respondent be Censured and fined in the amount of \$30,000.

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 'Thomas K. Anderson', is written over a horizontal line.

Thomas K. Anderson, Senior Regional
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