

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

Department of Enforcement,

Complainant,

v.

Viewpoint Securities, LLC
(CRD #104226)

and

Seth Leyton
(CRD #2138891),

Respondents.

Disciplinary Proceeding
No. 2011028122901

Hearing Officer: MAD

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: October 11, 2013

INTRODUCTION

Disciplinary Proceeding No. 2011028122901 was filed on May 22, 2013, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondents Seth Leyton and Viewpoint Securities LLC submitted an Offer of Settlement (Offer) to Complainant dated September 19, 2013. 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, Respondents have consented, without admitting or denying the allegations of the Complaint, 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, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Respondent Viewpoint Securities, LLC, formerly based in San Diego, California, became registered as a broker-dealer and member of FINRA on or about October 30, 2000. The firm fluctuated in size from approximately eleven registered representatives in October 2011 to three registered representatives in August 2012. The Firm operated a general securities business until on or about February 3, 2012, when it ceased conducting business because of a net capital deficiency.

On or about October 23, 2012, Viewpoint filed a Uniform Request for Broker-Dealer Withdrawal, and its registration with FINRA was canceled on or about December 28, 2012 for failure to pay outstanding fees.

Although Viewpoint is no longer a FINRA member, it remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the effective date of the termination of its membership with FINRA, namely December 28, 2012, and (2) the Complaint charges it with misconduct committed while it was a FINRA member.

Respondent Seth Leyton first became registered with FINRA as a General Securities Representative in or about May 1991. From March 28, 2005 to October 23, 2012, Leyton was CEO, Managing Member, Chief Compliance Officer, AMLCO and General Securities

Representative of Viewpoint. In those roles, Leyton was responsible for, among other things, the Firm's AML Compliance Program, supervision and written supervisory procedures (WSPs), system of supervisory control policies and procedures, and recordkeeping.

Leyton is no longer registered or associated with a FINRA member. Leyton's association with a FINRA member ended on or about October 23, 2012. Although Leyton is no longer registered or associated with a FINRA member, he remains subject to FINRA jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the date upon which he ceased to be associated with a FINRA member, namely October 23, 2012, and (2) the Complaint charges him with misconduct committed while he was associated with a FINRA member and with failing to respond, and respond truthfully, to Staff's questions during on-the-record testimony during the two-year period after the date upon which he ceased to be registered or associated with a FINRA member.

FINDINGS AND CONCLUSIONS

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

SUMMARY

1. Respondents Viewpoint and Leyton violated Section 10(b) of the Exchange Act, Rule 10b-5 thereunder, NASD Rule 2320(a)(2), and FINRA Rules 2020 and 2010 by engaging in the fraudulent sale of a CMO to a Viewpoint customer where they interjected a third party between the Firm and the best available market for the subject security. Viewpoint and Leyton also aided and abetted a fraudulent scheme to obtain possession and control of CMOs owned by unwitting investors and to attempt to misappropriate the income streams generated by the CMOs. Respondents also violated FINRA Rules 3310(a) and 2010 by failing to establish and implement

adequate anti-money laundering policies and procedures. Further, Respondents failed to establish, maintain and enforce written supervisory procedures and supervisory control procedures reasonably designed to achieve compliance with federal securities laws and regulations and applicable NASD and FINRA rules, in violation of NASD Rules 3010 and 3012, and FINRA Rule 2010. In addition, Leyton made misrepresentations to FINRA during on-the-record testimony and in written responses to FINRA's requests for information, and refused to answer FINRA staff questions during his testimony, in violation of FINRA Rules 8210 and 2010.

VIOLATIVE ACTIVITY

Viewpoint and Leyton Engaged in a CMO Business

2. During the period from on or about May 2010 through December 2011 (the Relevant Period), Viewpoint and Leyton offered and sold to public customers Collateralized Mortgage Obligations (CMOs). CMOs are a type of mortgage-backed security where the bonds sold represent claims to specific cash flows from large pools of mortgages. Owners of CMOs receive a stream of revenue arising from payments on the pools of mortgages.

3. During the Relevant Period, Leyton solely operated and supervised Viewpoint's CMO business, functioning as both the General Securities Representative offering and selling the CMOs, and the General Securities Principal overseeing and approving these same CMO sales.

The Conspirators

4. GS was a limited liability company based in Las Vegas, Nevada. During the Relevant Period, DC was GS's CEO, and LM was an individual involved with DC in the business of GS.

5. GS, DC and LM (collectively, the Conspirators) engaged in a fraudulent scheme through which they obtained possession and control of CMOs owned by unwitting investors and

attempted to misappropriate income streams generated by the CMOs. GS, DC and LM were not affiliated with a FINRA member during the Relevant Period, and are not subject to FINRA's jurisdiction.

6. Prior to the Relevant Period, GS and LM were identified in news articles as participating in the Bayou Hedge Fund Group fraud, through which more than \$300 million raised from investors was misappropriated by the fund managers.

7. Leyton knew of the reported involvement of GS and LM in the Bayou Hedge Fund Group fraud at the time GS opened an account at Viewpoint.

8. On or about May 21, 2010, GS opened an account at Viewpoint. Subsequently, on or about March 24, 2011, GS opened a second account at Viewpoint (GS II Account).

The CMO Monetization Scheme

9. Leyton offered and sold CMOs to customers who sought to utilize CMOs as collateral for financing real estate or other projects. The process of obtaining financing through the use of CMOs was suggested to the customers by DC and LM and termed by them "monetization." Leyton knew that the customers bought the CMOs intending to "monetize" them.

10. As explained by DC and LM, monetization allowed an investor to obtain a loan in excess of the market value of a CMO secured only by the CMO. The CMO market value was deeply discounted below its face value. Investors were sometimes told that loans of tens of millions of dollars might be secured by CMOs valued at much less than the loan amount. The Conspirators informed investors that monetization required that custody of the CMOs be transferred to one of GS's accounts at Viewpoint. Following transfer, GS received regular principal and interest payments on the CMOs, while the investors waited for monetization to be

completed. No CMO was ever monetized at Viewpoint under this arrangement, and investors' demands for return of their CMOs and their payment streams were rebuffed by the Conspirators.

11. Leyton continued to sell CMOs to customers introduced by the Conspirators and to facilitate the transfer of customers' CMOs to GS when he knew that no monetization transaction had ever been completed at Viewpoint and that the Conspirators had rebuffed demands for return of CMOs and their payment streams.

FIRST CAUSE OF ACTION

Viewpoint and Leyton Aided and Abetted Violations of Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, and Section 17(a) of the Securities Act of 1933 FINRA Rule 2010

Customers Victimized by the Monetization Scheme and Leyton's Duplicity

BJK

12. BJK is a corporation organized in California.

13. Shortly after GS opened its first account at Viewpoint, in or about June 2010, Viewpoint and Leyton were alerted to the fact that the Conspirators obtained possession and control of a CMO owned by BJK. This CMO was held by the Conspirators in a GS account at Viewpoint.

14. BJK had provided the CMO to the Conspirators in order to monetize it, in this instance by paying \$10 million for the CMO. When the Conspirators failed to do so, they disregarded BJK's demand for return of the security.

15. On or about June 22, 2010, BJK complained to Leyton about GS's refusal to return the CMO. Leyton also learned that GS had made false representations to BJK in an effort to justify its refusal to return the security. For example, on or about June 29, 2010, LM falsely stated that GS could not return the CMO because Viewpoint was required to send the security to

the BJK account from where it originated. As BJK had closed that (origination) account, LM's statement implied that the return of the security was impossible. On or about July 8, 2010, DC provided to Leyton an email that falsely stated that BJK no longer sought the return of its CMO, instead preferring to proceed with monetization. Although Leyton discovered these statements were both untrue and designed to obstruct or delay the return of BJK's CMO, Leyton nonetheless continued his business relationship with GS.

16. GS retained BJK's CMO for approximately two months, during which time it received two coupon payments totaling approximately \$18,000 each. Knowing that GS had retained these payments, Leyton informed GS that it would be appropriate for Viewpoint to profit from the transaction as well. DC responded with an offer to pay Leyton or Viewpoint \$5,000. On July 23, 2010, \$9,355.94 was wired from a GS bank account to a bank account Leyton controlled (the "NH Capital Account").

GCO and SCOM

17. GCO and SCOM were entities established to allow investors to pool their money for investment purposes. GCO and SCOM were managed by CG and MG. During the Relevant Period, GCO and SCOM pooled third party monies and securities for the purpose of purchasing and monetizing CMOs through GS. The pooled investors included C4 and AISH, NB, SD and DRE. Some of these investors opened Viewpoint accounts. Others did not open Viewpoint accounts but wired CMOs, or funds to purchase CMOs, directly to GS. The purpose of these transfers was to enable GS to acquire and monetize CMOs.

18. Despite receiving funds (to purchase CMOs) and CMOs from the pooled investors, GS did not monetize any CMOs.

C4 and AISH

19. On or about October 18, 2010, C4 and AISH, entities which pooled their funds with other investors, and working through GCO and SCOM, opened accounts at Viewpoint, through Leyton, for the purpose of monetizing CMOs through GS. That same day, GS wired \$5,000 to Leyton to incentivize Leyton to continue to do business with it.

20. On or about November 1, 2010, C4 transferred two CMOs with a total face value of approximately \$1 billion into its Viewpoint account. On or about October 29, 2010, AISH transferred four CMOs with a total face value of approximately \$6.3 billion into its Viewpoint account. C4 and AISH then journaled their CMOs to a GS account at Viewpoint. Leyton permitted these journals for C4 and AISH knowing that they were made for the purpose of monetizing the CMOs.

21. GS did not monetize C4's or AISH's CMOs. GS sold or transferred the CMOs out of its Viewpoint account on or before December 7, 2010. GS has neither returned the CMOs nor compensated C4 or AISH for the CMOs.

Activity Increases in GS's account at Viewpoint as do GS Payments to Leyton

22. Between November 1, 2010 and December 17, 2010, Leyton effected or approved numerous transactions in GS's account, in addition to the C4 and AISH transactions. Six CMOs were purchased in, and one CMO was sold out of a GS account. One CMO was journaled in and eight CMOs were delivered out of a GS account. In addition, approximately \$5.1 million was wired into a GS account.

23. During this period, the Conspirators made three payments to Leyton's NH Capital Account: (1) a November 4, 2010 wire for \$6,500 from a DC-controlled bank account; (2) a

November 19, 2010 wire for \$4,975 from a GS bank account; and (3) a January 12, 2011 wire for \$5,000 from a GS account.

NB and SD

24. In or about October 2010, NB, an individual residing in Arizona, wired \$400,000 to a GS bank account, intending that GS pool the funds with those of other investors and purchase and monetize CMOs.

25. On or about November 10, 2010, the GS bank account wired \$875,000 to a GS Viewpoint account. On or about November 12, 2010, GS bought in its Viewpoint account a \$1 billion face value CMO for approximately \$808,000.

26. GS did not monetize the CMO or return NB's funds.

27. On or about November 19, 2010, SD, an individual residing in Alberta, Canada, wired \$250,000 to a GS bank account, intending that GS pool the funds with those of other investors and purchase and monetize CMOs. On or about November 24, 2010 and November 29, 2010, GS purchased a \$1.5 billion face value CMO for approximately \$2,400,000 and a \$250 million face value CMO for approximately \$182,000, respectively, in a GS account at Viewpoint. On or about December 3, 2010, GS purchased a \$1 billion face value CMO for approximately \$1,475,000. Despite these purchases, GS did not monetize the CMOs or return SD's funds.

28. On or about December 7, 2010, GS journaled out of its Viewpoint account all of the CMOs it had purchased in November 2010.

29. In March 2011, NB and SD each alerted Leyton to concerns about their dealings with GCO and GS. On or about March 3, 2011, SD provided Leyton with a copy of her contract with GCO supporting SD's claim that she provided GS \$250,000 for monetization. Similarly, on

or about March 10, 2011, NB provided documents to Leyton that supported NB's claims that GS wired GCO and SCOM customers' money or CMOs to a GS account at Viewpoint.

30. Leyton took no meaningful action, however, to investigate SD's and NB's complaints concerning their providing funds or securities to GS, what GS did with those funds or securities, and why GS failed to monetize CMOs. On or about March 17, 2011, and despite the earlier concerns raised by, among others, NB and SD, Leyton entered and approved a wire transfer of \$19,000 from GS's Viewpoint account to a GS bank account. The next day, GS wired \$5,000 from the same GS bank account to Leyton's NH Capital Account.

31. In addition, in an email dated May 14, 2011, NB again requested Leyton's assistance to obtain the return of his funds or CMO and provided Leyton with a portion of a letter sent by DC to NB and other investors similarly situated. In this letter, DC wrote that GS would return GCO customers' CMOs and money by May 13, 2011. GS and DC, however, did not return the CMOs and money on that date.

32. On or about March 31, 2011 to July 17, 2011, other investors who provided funds to GS through GCO and SCOM contacted Leyton regarding GS's failure to monetize CMOs, or return funds or CMOs to the investors. Some of these entities or individuals provided Leyton with documents substantiating their claims.

33. Among these investors was DRE, an entity domiciled in Germany and established for investing purposes. RD was DRE's President and Chief Executive Officer.

34. DRE informed Leyton that in or about November 2010, DRE wired approximately \$2.65 million to GS so that GS could purchase and monetize CMOs. On or about November 24, 2010 and November 29, 2010, GS purchased CMOs in a GS account at

Viewpoint. Despite these purchases, GS did not monetize the CMOs nor did it return to DRE its funds or provide it the CMO.

35. On or about July 17, 2011, RD informed Leyton that he believed that GS used DRE's CMO inappropriately. RD informed Leyton that GS represented that it purchased a CMO and that the CMO was in GS's account at Viewpoint. Leyton took no meaningful action to follow up on RD's complaint and continued to do business with GS.

TC

36. TC is an entity domiciled in Grand Cayman and was established for investing purposes.

37. In or about April 2011, TC agreed to transfer \$9 million to GS for the purchase and monetization of CMOs, subject to the condition that if GS could not monetize the CMOs within three business days of purchase, GS would return the funds to TC.

38. On or about April 20, 2011, TC wired \$9 million to a GS bank account.

39. On or about April 21, 2011, GS wired \$7 million from its bank account to its GS II account at Viewpoint. On or about April 25, 2011, GS purchased two CMOs for approximately \$6.3M in its GS II Viewpoint account. GS, however, did not monetize the CMOs nor return to TC its funds or provide it the CMOs. Instead, less than two weeks later, GS sold the CMOs it had just purchased for \$6.3 million to another entity, BW, for \$34,000. Leyton, who was aware of this transaction and the large price discrepancy, reviewed, effected and approved this transaction.

40. Leyton was aware that these securities were being purchased into GS II's account for the purpose of monetization. On or about April 28, 2011, Leyton wrote to GS to

acknowledge that the CMOs “will be posting to the credit facility account today, April 28, 2011.”

41. On or about May 6, 2011, TC alerted Leyton that it, rather than GS or BW, was the true owner of the CMOs sold to BW for \$34,000. TC informed Leyton that GS had not monetized its CMOs as agreed, and that TC wanted its CMOs and money returned. On or about May 16, 2011, TC provided Leyton with documents corroborating its claims.

42. On or about May 13, 2011, despite knowing that TC claimed beneficial ownership of several million dollars in CMOs in GS II’s account, Leyton entered and approved a wire transfer of \$445,000 from the GS II Viewpoint account to a GS bank account, and on that same day, a company controlled by DC wired \$20,000 to Leyton’s NH Capital account. In addition, on or about May 17, 2011, Leyton entered and approved a wire transfer for \$350,000 from the GS II account at Viewpoint to a GS bank account.

43. Leyton verified that TC had provided at least \$7 million to GS’s account, and was the beneficial owner of the CMOs purchased on or about April 25, 2011.

FSG

44. FSG is a limited liability company domiciled in Florida.

45. On or about May 27, 2011, FSG opened an account at Viewpoint to monetize CMOs through GS. Leyton was aware that FSG intended to monetize CMOs through GS.

46. On or about June 10, 2011, FSG journaled a CMO with a \$1 billion face value to its account at Viewpoint.

47. On or about June 14, 2011, FSG journaled its CMO to a GS account at Viewpoint to allow GS to monetize the CMO.

48. GS did not monetize FSG's CMO or return the CMO or accumulated coupon payments to FSG.

HIP

49. HIP is a limited liability company domiciled in Ohio.

50. On or about January 27, 2011, HIP opened an account at Viewpoint.

51. On or about February 9, 2011, a \$1 billion face value CMO was received in HIP's account at Viewpoint.

52. On or about August 4, 2011, HIP journaled its CMO to GS's account at Viewpoint. GS was to monetize the CMO.

53. Leyton was aware that HIP transferred its CMO to GS for GS to monetize the CMO. On or about September 10, 2011, HIP emailed Leyton that GS was in "default" in monetizing its CMO.

54. On or about September 12, 2011, HIP again emailed Leyton that it was concerned as it was "out of contract" with GS and LM and it expected GS to immediately return its CMO. HIP wrote that it was concerned about the "well being" of its CMO given LM's refusal to return HIP's CMO and coupon payments. DC contacted HIP on or about September 12, 2011 and persuaded HIP to withdraw its request that GS return its CMO.

55. On or about September 21, 2011, Leyton entered and approved a \$45,000 wire from GS's Viewpoint account to a GS bank account. On September 22, 2011, \$15,000 was wired from that same GS bank account to Leyton's NH Capital account.

56. On or about November 29, 2011, Leyton entered and approved a \$30,000 wire from GS's Viewpoint account to a GS bank account. The next day, November 30, 2011, \$15,000 was wired from the same GS bank account to Leyton's NH Capital account.

57. On that same day, on or about November 30, 2011, HIP emailed Leyton complaining it had not received its CMO or its last two coupon payments.

58. During the Relevant Period, GS did not monetize the CMO or return HIP's CMO or coupon payments. Leyton or Viewpoint never informed HIP of GS's history – that GS, in fact, never monetized CMOs as promised, and typically refused to return or promptly return CMOs and their revenue stream.

59. The Conspirators' representations that they could monetize CMOs at the levels represented were false and served as only a device for the Conspirators to fraudulently obtain possession and control of CMOs, and their revenue streams, from investors.

60. While persuading investors to transfer their CMOs for monetization, the Conspirators did not disclose material facts such as that monetization of CMOs into financing worth millions or tens of millions of dollars, and vastly exceeding the true market value of the CMOs themselves was not possible, and that the programs purportedly available to effect the monetization at these levels did not exist. Nor did the Conspirators disclose to any investor that they had never monetized CMOs for anyone through any arrangement with Viewpoint.

61. The Conspirators' misrepresentations and omissions of material fact were made in the offer or sale of CMOs, and directly or indirectly employed the means and instruments of interstate commerce, including email communication and the transfer through interstate commerce of monies and securities by electronic means, all to effect the fraudulent scheme.

62. The Conspirators obtained property or money from investors, including Viewpoint customers, as a result of the Conspirators' misrepresentations or omissions of material fact; the Conspirators' conduct operated as a fraud or deceit upon innocent third parties, and

constituted a device, scheme or artifice to defraud. The victims of the fraud included BJK, C4, AISH, DRE, FSG, HIP, NB, SD and others.

63. As a result, the Conspirators' conduct violated Section 17(a) of the Securities Act of 1933 and 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder.

64. Viewpoint and Leyton knew of the Conspirators' scheme, or should have known of it, including that the promises of monetization at the levels represented were false, and that the Conspirators were engaged in a fraudulent scheme to steal CMOs and their revenue streams, and that no monetizations occurred.

65. Despite this, Viewpoint and Leyton took no meaningful action to prevent the Conspirators' activities from harming Viewpoint customers or others, or to terminate the Conspirators' activity or relationship with Viewpoint. Rather, in return for compensation on these CMO sales and cash payments to Leyton's NH Capital account, Leyton and Viewpoint substantially assisted the Conspirators' scheme through the end of 2011, providing the Conspirators with both a platform to effect their fraudulent scheme and the appearance of legitimacy. Viewpoint and Leyton earned over \$1 million solely from its business relationship with the Conspirators.

66. Viewpoint's and Leyton's substantial assistance to the Conspirators included the following acts: they allowed GS to open and maintain Viewpoint accounts, thereby enabling GS to receive CMOs from third parties, including Viewpoint customers. They facilitated the transfer of CMOs or funds from unwitting investors to GS. They prepared, in approximately twelve instances, letters on behalf of the Conspirators which were issued to third parties. These letters were on Viewpoint letterhead and verified that Viewpoint was holding specific CMOs that had a face value of \$600 million to \$1 billion, and the CMOs were "free of all liens, claims and

interests.” These letters were materially misleading since the “face value” was far in excess of the true market value of the CMOs. They approved a CMO sale transaction where a Firm customer was permitted to purchase a CMO at an artificial price much lower than its true market value, in order to accommodate the Conspirator’s request. In addition, Leyton took no meaningful action to prevent GS’s activities from harming customers, including C4, AISH, TC, FSG, HIP and others, nor terminated GS’s relationship with Viewpoint.

67. In return for Viewpoint’s and Leyton’s substantial assistance, the Conspirators remitted to Leyton tens of thousands of dollars which was paid directly to Leyton’s personal bank account.

68. Section 17(a) of the Securities Act of 1933 provides:

(a) It shall be unlawful for any person in the offer and sale of any securities by use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly: (1) to employ any device, scheme or artifice to defraud, or (2) to obtain money or property by means of any untrue statement of material fact or any omission to state a material fact necessary in order to make the statements ... (3) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

69. Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) provides:

It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce or of the mails, or of any facility of any national security exchange . . . to use or employ, in connection with the purchase or sale of any security . . . any manipulative or deceptive device or contrivance.

70. Rule 10b-5 of the Exchange Act provides:

It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange,

(a) to employ any device, scheme or artifice to defraud,

- (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or
- (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security.

71. FINRA Rule 2010 provides that “[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.” In addition, a violation of Section 10(b) of the Exchange Act, Rule 10b-5 thereunder, and Section 17(a) of the Securities Act, also constitutes a violation of FINRA Rule 2010.

72. Specifically, Viewpoint and Leyton rendered substantial assistance to the Conspirators’ CMO fraud. In providing that assistance, Viewpoint and Leyton knowingly or recklessly ignored the red flags or suspicious events associated with the Conspirators’ scheme that should have alerted them to the improper conduct. Based upon the foregoing, Leyton and Viewpoint aided and abetted the Conspirators’ fraudulent scheme in violation of Section 10(b) of the Exchange Act, Rule 10b-5 thereunder, and Section 17(a) of the Securities Act of 1933, and, as a result, the Respondents violated FINRA Rule 2010.

SECOND CAUSE OF ACTION
Failure to Observe High Standards of Commercial Honor
and Just and Equitable Principles of Trade
FINRA Rule 2010

73. FINRA Rule 2010 requires members, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade. During the course of conduct as described above, Viewpoint and Leyton engaged in activities with the Conspirators that constituted unethical practices or bad faith in that they facilitated GS’s misconduct at Viewpoint in return for compensation, and thereby provided GS with both a platform to perpetuate its activities and an appearance of legitimacy. In doing so, Viewpoint and Leyton

violated their obligation to observe high standards of commercial honor and just and equitable principles of trade.

74. As a result of the foregoing, Viewpoint and Leyton violated FINRA Rule 2010.

THIRD CAUSE OF ACTION

**Viewpoint and Leyton Offered and Sold a Security to a Firm
Customer Without Disclosing All Material Facts, and Interposed a Third Party Between
the Firm and the Best Available Market**

**Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder; NASD
Rule 2320(a)(2) and FINRA Rules 2020 and 2010**

75. TG is an individual who purportedly was engaged in the business of private equity funding during the Relevant Period. TG was not affiliated with a FINRA member during the Relevant Period and is not subject to FINRA's jurisdiction. TG at all times relevant controlled an entity known as JAG.

76. DG was a third generation vegetable vendor who resided in the State of New York. During the Relevant Period, DG was seeking a \$20 to 40 million loan to build a resort property on the Finger Lakes in upstate New York. While financially successful, DG was unsophisticated in investments and lacked any real understanding of CMOs.

77. DG opened an account at Viewpoint in order for DG to purchase a CMO that TG claimed he would be able to monetize in order to secure multi-million dollar financing to fund the Finger Lakes resort.

78. In or about late February 2011, DG and Leyton met at Viewpoint's office. DG informed Leyton that he wanted to purchase a AAA rated CMO that could be monetized to finance the Finger Lakes resort.

79. Leyton was aware that DG was unsophisticated in investments and lacked any real understanding of CMOs, and that DG sought to purchase a CMO in order to monetize it and secure multi-million dollar financing for his resort project.

80. DG opened Viewpoint account xxx346 on or about March 1, 2011. The new account form indicated that DG's investment objective was speculative, his net worth was in excess of \$1 million and that he had 20 years of investment experience in stocks and 10 years in options.

81. Leyton recommended that DG purchase GS MTG SECS TR 2007 GG10 MTG P, CUSIP 36246LAP6 (LAP6). Leyton informed DG that the total cost of the LAP6 CMO purchase would be \$1.1 million, and that the purchase could be made as soon as DG funded his Viewpoint account.

82. On or about March 3, 2011, DG wired \$1.1 million to fund his Viewpoint account.

83. On or about March 4, 2011, Leyton purchased on behalf of DG (in two separate transactions occurring at 11:15am) a total of 1,000,000,000 shares of LAP6, for the total price of approximately \$1,053,979.29. Viewpoint and Leyton did not charge DG a markup or a commission.

84. Leyton inaccurately marked the orders as "unsolicited."

85. During the sale of LAP6, Viewpoint and Leyton omitted to inform DG of material facts necessary to prevent the statements made, in light of the circumstances under which they were made, from being misleading. The material omissions included the information set forth below.

86. One day before DG purchased the billion shares of LAP6, on or about March 3, 2011, Viewpoint and Leyton purchased the same LAP6 shares from another broker-dealer, VCG, in a riskless principal transaction. Viewpoint and Leyton paid only \$596,402.92 to purchase the LAP6 shares from VCG.

87. Viewpoint and Leyton on that same day, March 3, 2011, then sold the LAP6 shares to JAG for \$673,972.11. As Viewpoint and Leyton were at that time aware, JAG was an entity controlled by TG which maintained an account at Viewpoint. Leyton was the registered representative of record on the JAG account. Viewpoint and Leyton charged JAG a markup (and made a profit) totaling approximately \$76,954.13 for the LAP6 sale.

88. On or about March 4, 2011, Viewpoint and Leyton sold JAG's position in LAP6 to DG for \$1,053,979.29, a price totaling \$380,007.18 more than JAG paid for the CMO one day earlier. Viewpoint and Leyton charged JAG a markdown for the sale totaling \$38,473.22.

89. In consideration for TG referring DG to Viewpoint and Leyton, Leyton and TG entered into a prearranged transaction whereby Leyton interposed TG (through JAG) between the Firm and the best available market before executing DG's transaction.

90. The interpositioning occurred when the Firm purchased LAP6 securities from the street, sold the securities to a favored account (JAG), and then sold LAP6 securities to DG at a higher price.

91. The markup charged to DG in the LAP transaction totaled \$457,576, or a markup of 76.72%.

92. Viewpoint and Leyton did not inform DG at the time of the transaction that DG's transaction was interposed, that DG had been charged an excessive markup on the transaction, that the shares of LAP6 being sold to DG were owned by an entity controlled by TG; that TG was permitted to purchase the CMO one day earlier than DG for a price 37% less than DG paid for it the following day; and that TG was permitted to purchase LAP6 in advance of DG in order to make a large profit at DG's expense.

93. Viewpoint's and Leyton's conduct described above was deceptive, engaged in with scienter, and accomplished through the use of means or instrumentalities of interstate commerce, including DG's wires for the purchase of LAP6 actions being sent through interstate commerce, and telephone and internet communications.

94. As is broadly discussed above, DG, after purchasing the CMO, attempted to monetize it and became the victim of other fraudulent conduct by the Conspirators not connected with TG, who were allowed by Leyton to transact business through Viewpoint. The Conspirators, including GS, targeted DG in the CMO monetization scheme. DG was able to regain possession of his CMOs from the Conspirators, but the Conspirators retained possession of coupon payments derived from DG's CMOs.

95. Leyton willfully omitted to inform DG of material facts in regard to DG's CMO transaction.

96. Based upon the foregoing misconduct, Viewpoint and Leyton willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; NASD Rule 2320(a)(2) and FINRA Rules 2020 and 2010.

FOURTH CAUSE OF ACTION
Leyton Provided to FINRA False On-The-Record Testimony
and Written False and Misleading Statements
FINRA Rules 8210 and 2010

97. FINRA Rule 8210 requires a member to provide information orally, in writing, or electronically and to testify under oath when required by FINRA.

98. On April 26, 2012, FINRA took sworn on-the-record testimony from Leyton. During the testimony, and after being shown an email from DC offering to pay Leyton \$5,000, Leyton was asked if DC paid Leyton the \$5,000. Leyton testified that he thought that DC's offer was "inappropriate" and that he was "certain" that he did not receive any money from GS.

99. On or about October 22, 2012 and November 6, 2012, FINRA staff sent written requests to Leyton pursuant to FINRA Rule 8210, asking Leyton for, among other things, written statements describing the source of certain deposits to his NH Capital bank account for the time period of May 2010 to present. On or about October 31, 2012 and November 13, 2012, Leyton provided two signed written statements to FINRA regarding the deposits into the NH Capital account. Leyton failed to identify GS, DC or any entity controlled by DC as the source of any of the funds deposited into the NH Capital account.

100. On December 6, 2012, FINRA took sworn on-the-record testimony of Leyton. During the testimony, Leyton falsely testified that he had not received any money from GS, DC or any account affiliated with DC, in Leyton's NH Capital account. Leyton further reiterated and affirmed the accuracy of his earlier written statement concerning the source of deposits into the NH Capital bank account.

101. Contrary to Leyton's signed written statements and sworn testimony, on nine dates beginning July 23, 2010 to November 30, 2011, GS, DC and entities controlled by DC, deposited funds totaling approximately \$85,381.00 into Leyton's NH Capital account. In both his sworn testimony and his signed written statements to FINRA, Leyton falsely represented that the deposits came from sources other than GS, DC and entities controlled by DC, as follows:

Deposit date	Source of funds as described by Leyton's testimony and/or sworn statements	Actual source of funds	Amount of funds deposited into the NH Capital account
7/23/10	Sale of personal items	GS bank account	\$9,355.94
10/18/10	Cash withdrawn from another bank account, and sale of watches, tire rims and other personal items	GS bank account	\$5,000
11/4/10	Cash withdrawn from another bank account	DC Family Trust bank account	\$6,500

Deposit date	Source of funds as described by Leyton's testimony and/or sworn statements	Actual source of funds	Amount of funds deposited into the NH Capital account
11/19/10	Unknown	GS bank account	\$4,975
1/12/11	Cash withdrawn from another bank account, cash from a holiday gift and sale of unidentified personal items	Bank account controlled by DC	\$5,000
3/18/11	Cash withdrawn from two other bank accounts	GS bank account	\$5,000
5/13/11	Ex-wife	Bank account controlled by DC	\$20,000
9/22/11	Ex-wife	GS bank account	\$15,000
11/30/11	Former Viewpoint employee	GS bank account	\$15,000

102. By providing false and misleading information to FINRA staff during his oral testimony and in his signed written responses, Leyton violated FINRA Rules 8210 and 2010.

FIFTH CAUSE OF ACTION
Leyton Refused to Answer FINRA's Questions
During On-the-Record Testimony
FINRA Rules 8210 and 2010

103. On December 6, 2012, FINRA took sworn on-the-record testimony of Leyton. During that testimony, Leyton, through his legal counsel, informed FINRA staff that Leyton would not respond to any further questions by the staff.

104. Leyton's refusal to respond to the staff's questions impeded FINRA's investigation.

105. As a result, Leyton violated FINRA Rules 8210 and 2010.

SIXTH CAUSE OF ACTION
AML Violations
FINRA Rules 3310 and 2010

106. FINRA Rule 3310(a) requires firms to establish and implement policies, procedures and internal controls that can be reasonably expected to detect and cause the

reporting of transactions required by the Bank Secrecy Act and the implementing regulations thereunder.

107. In July 2002, the Department of Treasury issued regulations requiring suspicious transaction reporting for broker-dealers. Consequently, since 2002, broker-dealers have been required by FINRA to, among other things, establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of certain suspicious transactions.

108. A firm's AML procedures must address a number of areas including monitoring transactions to report suspicious activity where appropriate. For example, when potentially suspicious activity that warrants an investigation is identified, a firm must initiate a review of that activity promptly and complete its review within a reasonable period of time. Firms are required to file a suspicious activity report ("SAR") with the Financial Crimes Enforcement Network, an office within the Department of Treasury, reporting certain suspicious transactions relating to a possible violation of law or regulation. It is not necessary for a broker-dealer to establish that a customer has engaged in illegal activity or to have actual knowledge of illicit or unlawful trading by a customer; rather, it is sufficient that the broker-dealer has reason to suspect that a transaction or series of transactions involve unlawful activity or lack a lawful purpose. The Treasury also has advised broker dealers to determine whether activity raises suspicions by monitoring for various red flags. FINRA Notices to Members (NtM) 02-21 and 02-47 emphasized members' duties to detect red flags and, if detected, to perform additional due diligence before proceeding with a suspicious transaction.

109. During the Relevant Period, Viewpoint's written AML policies and procedures required Leyton, the firm's AMLCO, to monitor for potentially suspicious activity and red flags,

investigate potentially suspicious activity and report suspicious activity by filing a SAR, as appropriate.

110. During the Relevant Period, Viewpoint, acting through Leyton, failed to enforce its written AML program to ensure compliance with the Bank Secrecy Act. The Firm and Leyton did not identify and investigate GS's CMO transactions, even though many red flags identified in Viewpoint's written AML procedures were present, such as (1) the customer (or a person publicly associated with the customer) had a questionable background or was the subject of news reports indicating possible criminal, civil or regulatory violations; (2) the customer wished to engage in transactions that lack business sense or apparent investment strategy, or were inconsistent with the customer's stated business strategy; (3) the customer, for no apparent reason or in conjunction with other "red flags," engaged in transactions involving certain types of securities ... which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. In addition, other red flags included: (4) the customer provided false, misleading, or substantially incorrect information about its source of funds; (5) the customer's account had unexplained or sudden extensive wire activity, especially in accounts that had little or no previous activity; and (6) the customer engaged in excessive journal entries between unrelated accounts without any apparent business purpose.

111. Despite being placed on repeated notice of potentially fraudulent CMO transactions, Leyton and the Firm never considered whether to file a SAR related to any suspicious trading activity, even when customers complained that GS improperly retained possession over a customer's CMOs and money, or when Leyton and Viewpoint knew GS had made misrepresentations about its CMO transactions.

112. The foregoing activity constituted suspicious activities required to be investigated and, if appropriate, reported by Viewpoint's written AML policies and procedures.

113. Leyton and Viewpoint permitted these suspicious activities to occur without conducting an adequate investigation into the activities and reporting the activities on a SAR, as appropriate.

114. Viewpoint, through Leyton, by failing to investigate and to determine whether it was appropriate to report the activity through a SAR, did not implement and enforce the firm's AML program.

115. As a result of the foregoing, Viewpoint and Leyton violated FINRA Rules 3310(a) and 2010.

SEVENTH CAUSE OF ACTION
Failure to Establish, Maintain and Enforce Supervisory System
NASD Rule 3010 and FINRA Rule 2010

116. NASD Conduct Rule 3010(a) requires firms to "establish and maintain a system to supervise activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules."

117. Under NASD Rule 3010(b), these systems must be documented in the firm's supervisory procedures. The procedures must also be tailored to the business lines in which the firm engages, and they must also set out mechanisms for ensuring compliance and for detecting violations, and not merely set out what conduct is prohibited.

118. During the Relevant Period, Viewpoint, through Leyton, its CEO and CCO, failed to establish and maintain a supervisory system, including written supervisory procedures,

reasonably designed to ensure compliance with federal laws and FINRA and NASD rules in the offer or sale of CMOs.

119. Specifically, Viewpoint, through Leyton, failed to establish and maintain procedures regarding its business in CMOs with individuals and entities who purportedly sought to obtain possession and control over third party CMOs in order to monetize the securities. When participating in these business activities, Viewpoint, through Leyton, was responsible for ensuring its activities did not facilitate criminal or fraudulent conduct, or violate any securities laws or rules.

120. Viewpoint's written supervisory procedures did not address how it would approve and supervise its CMO transactions. The procedures did not require the type of inquiry, or that any inquiry, be conducted prior to its participation in CMO transactions.

121. As Viewpoint's CEO and CCO, Leyton had sole responsibility for the adequacy of the firm's supervisory procedures.

122. During the Relevant Period, Viewpoint, acting through Leyton, failed to supervise Leyton's activities in the offer or sale of CMOs, and Leyton's other activities described above.

123. In addition, during the Relevant Period, Viewpoint, acting through Leyton, did not enforce procedures for the supervisory review of email communications. Specifically, the Firm failed to review Leyton's incoming and outgoing email.

124. Respondent Leyton was responsible for ensuring Viewpoint's compliance with Rule 3010.

125. As a result of the foregoing, Viewpoint and Leyton violated NASD Rule 3010 and FINRA Rule 2010.

EIGHTH CAUSE OF ACTION
Failure to Enforce an Adequate System of
Supervisory Control Policies and Procedures
NASD Rule 3012 and FINRA Rule 2010

126. During the Relevant Period, Leyton solely operated and supervised Viewpoint's CMO business, functioning as both the General Securities Representative offering and selling the CMOs, the General Securities Principal overseeing and approving these same CMO sales.

127. During the Relevant Period, Leyton was a producing manager and principal of the Firm. Indeed, Leyton's CMO activity was responsible for approximately 90% of the Firm's revenue. Viewpoint and Leyton failed to assign anyone to supervise Leyton's customer account activity.

128. During the Relevant Period, Viewpoint, acting through Leyton, failed to enforce a system of written supervisory control policies and procedures that were reasonably designed as follows:

- a) the designation of a supervisor for Leyton, as the producing manager of the CMO business, including ensuring that such supervisor was otherwise independent of the producing manager; and
- b) heightened supervision over the activities of each producing manager responsible for generating 20% or more of the business units supervised by the producing manager, in that the Firm, acting through Leyton, failed to arrange for heightened supervision of Leyton in the offer and sale of CMOs.

129. By failing to enforce written supervisory control procedures, Viewpoint and Leyton violated NASD Rule 3012 and FINRA Rule 2010.

Based upon the foregoing, Respondents willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and violated NASD Rules 2320(a)(2), 3010 and 3012, and

FINRA Rules 2020, 3310(a) and 2010. In addition, Respondent Leyton violated FINRA Rule 8210.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondents 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 Respondents be sanctioned as follows:

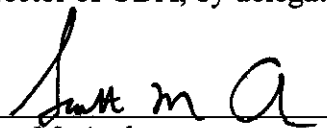
1. Viewpoint Securities, LLC is expelled from FINRA Membership.
2. Seth Leyton is barred from association with any FINRA member in any capacity.

Pursuant to FINRA Rule 8313(e), the bar and expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

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



Scott M. Andersen
Deputy Regional Chief Counsel
FINRA Department of Enforcement
300 S. Grand Avenue, Suite 1600
Los Angeles, CA 90071
(213) 229-2352 (phone)
(213) 617-1570 (fax)