

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
DEPARTMENT OF ENFORCEMENT
NO. 2011028756701**

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

**RE: Anil K. Chaturvedi, Respondent
Former Registered Representative
CRD No. 2421737**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Anil K. Chaturvedi ("Respondent" or "Chaturvedi") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Chaturvedi entered the securities industry in 1993 when he became employed by Merrill Lynch, Pierce, Fenner and Smith, a FINRA regulated broker-dealer ("Merrill Lynch" or the "Firm"), as a registered representative (Series 7) in New York City. He voluntarily left Merrill Lynch on July 13, 2011, during Merrill Lynch's internal investigation of this matter. Chaturvedi has not been employed in the securities industry since that time. He is currently employed by a bank in Switzerland, where he resides.

On July 29, 2011, Merrill Lynch filed a Form U-5 (Uniform Termination Notice for Securities Industry Registration) reporting Chaturvedi's termination in this matter. Merrill Lynch subsequently filed several amended Forms U-5 concerning Chaturvedi, including one filed on November 22, 2011, reporting a complaint by customer SS alleging unauthorized trading. Pursuant to Article V, Section 4(a)(i) of the FINRA By-Laws, Chaturvedi remains subject to

FINRA's jurisdiction as a result of Merrill Lynch's filing of the above-referenced Form U-5 amendment on November 22, 2011.

RELEVANT DISCIPLINARY HISTORY

Chaturvedi has no prior disciplinary history in the securities industry.

OVERVIEW

Chaturvedi managed the accounts of numerous wealthy Indian nationals residing in India or in the U.S. during the period 2002 to 2011 (the "Relevant Period"). The majority of the accounts during most of that period were held at Merrill Lynch.¹ To ensure the clients' confidentiality, Chaturvedi recommended that many of the clients open trust accounts in corporate names, with Merrill Lynch affiliated entities located in offshore jurisdictions serving as trustees. Chaturvedi originated the paperwork for the accounts, which was reviewed and processed by Merrill Lynch personnel in New York before being forwarded to the offshore affiliated trust companies for further review and approval.

Early in the Relevant Period, Chaturvedi established a trust account for customer PB, with the customer's nephew, NG, as the account's beneficiary. In 2009, a number of years after the customer's death, Chaturvedi learned from NG that NG, not PB, had actually funded the account, in order to shield NG's money from U.S. tax liability. Chaturvedi did not report this information to anyone until 2011, when he reported the matter to the IRS. Chaturvedi never reported the information to Merrill Lynch.

In addition, during the Relevant Period, there were numerous transfers of money, totaling approximately \$8 million, between unrelated accounts belonging to Chaturvedi's clients and from Chaturvedi's clients' accounts to third parties. Chaturvedi was aware of the transfers.² The money transfers had characteristics that raised "red flags" of potentially suspicious activity, but Chaturvedi failed to make further inquiry about these suspicious money transfers or to report the suspicious activities to Merrill Lynch.

In addition, many of the transfers in question were from an account at Merrill Lynch belonging to one particular customer, and were executed pursuant to letters of authorization ("LOAs") that the customer had given to Chaturvedi signed in blank. Chaturvedi had filled in the terms of the transfers. After he left the Firm, various other suspicious and altered documents were found in his office as well.

Chaturvedi thus violated NASD Rules 3011 (a) and 2110 and FINRA Rules 3310(a) and 2010 in that he failed to implement the firm's anti-money laundering policies by failing to investigate red

¹For part of the period, certain of his clients' accounts were held through Merrill Lynch affiliates in Singapore or in Switzerland.

² Certain of the transfers were from accounts at Merrill Lynch in New York while the remainder were between trust accounts held in foreign affiliate locations.

flags of potentially suspicious activity and failing to report suspicious activities. Chaturvedi also violated NASD Rule 2110 and FINRA Rule 2010 by creating and submitting falsified documents to the Firm, and violated NASD Rules 3110 and 2110 and FINRA Rule 2010 by causing the Firm to create and maintain inaccurate books and records in violation of Section 17(a) of the Securities Exchange Act of 1934 (the "SEA") and Rule 17a-3 promulgated thereunder.

FACTS AND VIOLATIVE CONDUCT

Relevant AML Requirements

FINRA Rule 3310 (effective January 1, 2010, formerly NASD Rule 3011) requires FINRA regulated broker-dealers to develop and implement a written AML program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act, and the regulations promulgated thereunder. FINRA Rule 3310(a) requires FINRA members to establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of suspicious activity and transactions.

Notices to Members ("NTM") 02-21 (April 2002) and 02-47 (August 2002) emphasized each firm's duty to detect red flags and, if detected, "perform additional due diligence before proceeding with the transaction." Merrill Lynch's anti-money laundering procedures in effect during the Relevant Period identified examples of red flags and required registered representatives to report any suspicious activity to their supervisors.

FINRA Rule 2010 and its predecessor, NASD Rule 2110 (applicable until mid-December 2008) require that members (and associated persons) "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business. A violation of FINRA Rule 3310 or NASD Rule 3011 is also a violation of FINRA Rule 2010/NASD Rule 2110.

Pursuant to FINRA Rule 0140 (effective December 15, 2008; formerly NASD Rule 0115) "The Rules shall apply to all members and persons associated with a member. Persons associated with a member shall have the same duties and obligations as a member under the Rules." Thus, FINRA Rule 3310 or NASD Rule 3011 applies to individual registered representatives who ignore and/or fail to report red flags of potentially suspicious activity.

Chaturvedi's Clients

At all times relevant herein, Chaturvedi managed over 300 accounts with assets totaling approximately between \$500 million to \$1 billion. The majority of the accounts were held at Merrill Lynch. His customers, mostly Indian nationals residing in India or in the U.S., included many prominent business people, doctors, and other professionals. Chaturvedi recommended that many of his Indian clients open trust accounts under corporate names, or confidential numbered accounts that did not reveal the underlying client's name and address. Merrill Lynch's

trust offices located in off-shore jurisdictions, including the Isle of Man, Switzerland, Singapore, or Grand Cayman – served as trustees for many of these trust relationships. The trust offices were affiliated entities of Merrill Lynch, the broker-dealer, in New York. Chaturvedi's customers were the "settlers" of these trusts. Although many of the trust accounts were at off-shore entities, the paperwork for such trust accounts were first reviewed and processed by Merrill Lynch personnel in New York, before the paperwork was forwarded to the trustee entities for further review. Chaturvedi acted as a registered representative in making investment recommendations and processing money transfers for his clients in these trust accounts, and Merrill Lynch supervised his activities.

Failure to Report and Detect Suspicious Activities Relating to NS Ltd.

In April 2001, on Chaturvedi's recommendation, PB, an elderly professor in India, opened a trust account in the name of NS Ltd. (The Trust account was opened with a Merrill Lynch off-shore affiliate located in the Isle of Mann, but was first processed and approved through Merrill Lynch in New York.)

PB named her nephew, NG, as beneficiary of the account, which was initially funded with over \$2 million. PB died in May 2002. Merrill Lynch did not learn of her death for a number of years.

Pursuant to an LOA dated February 7, 2003, with PB's purported signature on it, Chaturvedi transferred \$300,000 from the NS Ltd. trust account to NG's personal account at Merrill Lynch. Chaturvedi wrote on the LOA: "spoken to the client okay to transfer." Chaturvedi, however, did not speak with PB (who was deceased), but rather, had spoken to NG.

In August 2003, Chaturvedi filled out a form, pursuant to Merrill Lynch's anti-money laundering procedures, confirming that he had verified PB's address by visiting her at her home in India. Chaturvedi, however, had made that visit in 2001, when she opened the account. Chaturvedi did not attempt to contact PB in August 2003 to confirm that she lived at the same address. If Chaturvedi had made sufficient efforts to contact PB, he, of course, would have learned that she had died, and that she therefore was no longer in control of the account.

In 2009, NG told Chaturvedi that NG, not PB, had actually funded the NS Ltd. trust account, and that he had done so in order to shield his money from U.S. tax liability. Chaturvedi, however, did not report this information to anyone for another two years, because he was concerned that the information would trigger an IRS investigation of both NG and himself. In 2011, after NG filed a complaint with Merrill Lynch about Chaturvedi's handling of his account, Chaturvedi reported the matter to the IRS. Chaturvedi, however, never reported the information to Merrill Lynch.

Therefore, Chaturvedi failed to report and also failed to detect suspicious activities related to NG's control of his deceased aunt's account and his ongoing use of that account to avoid US tax liability. Chaturvedi thus violated NASD Rules 3011 (a) and 2110 and FINRA Rules 3310(a) and 2010.

Suspicious Money Transfers

During the Relevant Period, there were numerous suspicious transfers of money from Chaturvedi's customers' accounts to third parties, and between unrelated accounts belonging to Chaturvedi's clients. There were approximately 95 such transfers, involving approximately 15 different customers of Chaturvedi and totaling approximately \$8 million during the above time period. Approximately 70 of the transactions involved \$100,000 or less, and approximately 37 of these 70 transactions involved \$50,000 or less. Certain of the transfers were from accounts at Merrill Lynch in New York while the remaining transfers occurred through trust accounts held in foreign affiliate locations. Chaturvedi was aware of the transfers. He asked the clients few questions about the circumstances of the transfers, because the clients were "respected" business persons whom he trusted.

These money transfers should have raised red flags indicating potentially suspicious activity:

- Multiple transfers were made between the same two unrelated clients over a period of months, and sometimes the same day.
- The stated purpose of many of the transactions was "purchase of real estate" or "repayment of loan", but the dollar amounts were in round numbers, which is not generally the case for amounts disbursed in real estate transactions or for loan repayment amounts (which include interest).
- The stated purpose for some of the transfers of "repayment of a loan" also does not appear legitimate since the customers involved were very wealthy individuals who had sufficient liquidity in their accounts to meet short term cash needs.

For example, SS (the owner of PT Ltd), RA (the owner of P Ltd), and PK (the owner of K Ltd.), all unrelated customer accounts, made multi-thousand dollar wire transfers to the same third-party entities for the same stated business purpose of buying real property in India. The counterparties for these wire transfers, however, represented a variety of industries and geographic locations that did not appear to have a presence in the real estate property sector in India. Chaturvedi failed to conduct additional due diligence, or raise concerns to his supervisor as mandated under the Firm's AML procedures, when presented with red flags indicating potentially suspicious activity.

There also were suspicious, cryptic emails between Chaturvedi and his clients relating to some of the transfers. For example, on January 28, 2008, the same day a \$25,000 transfer was made from PT Ltd. to OI Ltd, the trust account owned by Chaturvedi client RK, RK wrote to Chaturvedi: "This is to confirm that 10 pages have been delivered to [SS]." On February 27, 2008, Chaturvedi wrote to SS: "Did you receive a packet from our friend last week?" (A transfer of \$25,000 was made from SS's PT Ltd. account to OI Ltd. the prior week.)

The above wire transfers raised red flags that should have caused Chaturvedi to conduct additional inquiry concerning the transactions and to report the potentially suspicious activity to Merrill Lynch. By failing to conduct such additional inquiry and failing to report such matters to the Firm, Chaturvedi violated NASD Rules 3011(a) and 2110 and FINRA Rules 3310(a) and 2010.

Falsified Documents

Approximately half of the suspicious money transfers during the Relevant Period involved the Merrill Lynch account of Chaturvedi's customer SS, the owner of the PT Ltd. trust account. Many of the fund transfers out of SS's account to third parties were effected pursuant to LOAs that SS had signed in blank and given to Chaturvedi. Chaturvedi kept the LOAs in a drawer in his office, and when a transfer of funds was required, he filled in the details on these documents (i.e., the dollar amounts, the payee, the purpose, etc.) and processed the LOAs through Merrill Lynch. Chaturvedi had agreed to this arrangement at SS's request, because SS had indicated that he could not transmit the letters from his office or his home since he did not want his employees or his spouse to learn the specifics of his financial dealings.

When this matter came to light, following a complaint filed with Merrill Lynch by one of Chaturvedi's other clients, Merrill Lynch searched Chaturvedi's office. In addition to the blank LOAs for transfers of funds from SS's account, Merrill Lynch discovered signed but otherwise blank LOAs for another Chaturvedi customer, and two standing LOAs for transfers of funds where the signature of SS's son, RS, had been cut out of another document and pasted in. Merrill Lynch also found monthly account statements for SS's PT Ltd. trust account and other customers' accounts which had the liabilities sections covered over by a blank piece of paper.

As a result of the foregoing conduct, Chaturvedi violated NASD Rule 2110 and FINRA Rule 2010 by creating and submitting falsified documents to the Firm. He also violated NASD Rules 3110 and 2110 and FINRA Rule 2010 by causing the Firm to create and maintain inaccurate books and records in violation of Section 17(a) of the SEA and Rule 17a-3 promulgated thereunder.

B. Respondent also consents to the imposition of the following sanction:

A suspension for a period of 18 months from association with any FINRA-registered firm in any capacity, and a fine of \$60,000.

The fine shall be due and payable either immediately upon re-association with a member firm following the 18 month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent specifically and voluntarily waives any right to claim that he is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Respondent may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against him;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

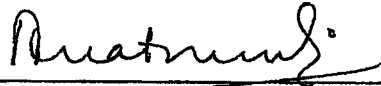
Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against him;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce him to submit it.

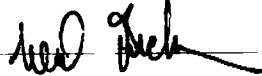
Nov. 11, 2013

Date



Respondent

Reviewed by:



Neal Brickman, Esq.,
Ethan Y. Leonard, Esq.
Law Offices of Neal Brickman, P.C.
317 Madison Avenue, 21st Floor
New York, N.Y. 10017
Counsel for Respondent

Accepted by FINRA:

11-18-13
Date

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



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