

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013035309401**

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

RE: Popular Securities, Inc. (n/k/a Popular Securities, LLC) ("Popular"), Respondent
Member Firm
BD No. 8096

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent 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

Popular has been a FINRA member since 1980. Popular is headquartered in San Juan, Puerto Rico and engages in a general securities business, including customer purchases and sales of Puerto Rico municipal securities and open and closed-end mutual funds. The Firm has approximately 120 registered representatives located in its 9 branch offices.

RELEVANT DISCIPLINARY HISTORY

Popular has no relevant formal disciplinary history with the Securities and Exchange Commission, any state securities agency or any self-regulatory organization.

OVERVIEW

Between July 1, 2011, and June 30, 2013 (the "Relevant Period"), Popular failed to establish, maintain, and enforce a supervisory system and procedures

reasonably designed to identify and review concentrated securities purchases, including Puerto Rico municipal bonds and Puerto Rico closed-end funds. As such, Popular violated NASD Rules 3010(a) and (b) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Background – Puerto Rico Securities

Puerto Rico securities¹ provide Puerto Rico residents with various tax benefits including exemption from U.S. estate and gift taxes. The Puerto Rican government further incentivized Puerto Rican residents' investments in PR securities by establishing a Puerto Rico estate tax applicable to property held by a Puerto Rico resident outside of Puerto Rico. In addition, the PR securities generally offer a triple tax benefit.

In December 2012, Puerto Rico general obligation and related bonds' ratings were downgraded. Approximately six months later, in June 2013, the Puerto Rico Power Authority (PREPA) revenue bonds' ratings were also downgraded.

Popular's Deficient Supervisory System and Procedures Regarding Concentrated Securities Purchases

During the Relevant Period, customers of Popular purchased concentrated positions of PR securities. Between December 2012, when the Puerto Rico general obligation bond rating was downgraded, and June 2013, the Firm's customers continued purchasing concentrated positions of PR securities.

Popular's written supervisory procedures ("WSPs") did not outline the steps that the Firm should have taken to review its customers' securities purchases for concentration, and apart from a procedure that required quarterly reviews of "elderly" customer accounts for concentration of one product in the client's account, the Firm did not establish, maintain, or enforce any systems or procedures that required supervisors to review for concentrated purchases (i.e., concentration in a single security, substantially similar securities, or securities of a single geographic region), including PR securities, or document their reviews.

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

¹ The term Puerto Rico Securities, used herein, includes Puerto Rico closed-end funds, Puerto Rico municipal bonds, open-end mutual funds holding a majority of their assets in other Puerto Rico securities, and preferred shares of Puerto Rico companies (e.g., financial institutions) ("PR securities"). Puerto Rico closed-end funds are generally required to invest at least 67% of their portfolios in Puerto Rico securities such as Puerto Rico municipal bonds.

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

- Censure; and
- A \$125,000 fine.

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

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- A. To have a Complaint issued specifying the allegations against it;
 - 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 Chief Legal Officer, 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:

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- 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 it; 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 it;
 - 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 its: (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.
 - D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent 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 Respondent to submit it.

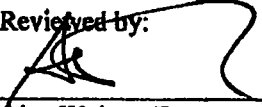
November 14, 2014
Date (mm/dd/yyyy)


Respondent Popular Securities, Inc.

By: Gregory Kaufman

Title: President

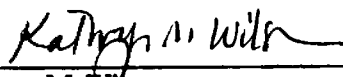
Reviewed by:


Alan Wolper, Esq.
Counsel for Respondent
Ulmer & Berne LLP
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Chicago, Illinois 60661-4587 (202) 974-1514

Accepted by FINRA:

12/11/14
Date

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


Kathryn M. Wilson
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