

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

Department of Enforcement,

Complainant,

v.

ALLUVION SECURITIES, LLC
(CRD No. 143623)

and

JOHN S. JUMPER
(CRD No. 2809649),

Respondent.

Disciplinary Proceeding
No. 2013035347704

Hearing Officer: MJD

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: November 11, 2015

INTRODUCTION

Disciplinary Proceeding No. 2013035347704 was filed on June 19, 2015, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent John S. Jumper submitted an Offer of Settlement (Offer) to Complainant dated November 6, 2015. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint (as amended by the Offer of Settlement), and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint (as amended by the Offer of Settlement), and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

1. Jumper entered the securities industry on December 21, 1999 as a General Securities Representative of a member of FINRA. Jumper became associated with Alluvion on September 11, 2007 as a General Securities Principal, General Securities Representative and Municipal Securities Principal. Thereafter, on December 16, 2011, he also became registered with Alluvion as an Operations Professional. FINRA retains jurisdiction over Jumper because he is currently registered with FINRA and associated with Alluvion. Jumper was Alluvion's CCO and CEO for both its informal and formal disciplinary history concerning net capital-related violations and for the individual formal disciplinary action taken against Alluvion's FINOP.
2. Jumper also has a formal disciplinary history. On June 12, 2013, Jumper was censured and fined \$10,000 by FINRA for violating MSRB Rule G-27.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:¹

¹ The findings herein are pursuant to Respondent Jumper's Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding.

**ALLUVION'S RECENT HISTORY OF BEING REPEATEDLY BELOW ITS REQUIRED
MINIMUM NET CAPITAL**

3. Between September 26, 2012 and October 30, 2014, Alluvion filed twenty-four FOCUS reports reflecting deficient net capital. Thirteen of those FOCUS reports were filed between September 5, 2012 and October 8, 2013,² the period during which Alluvion conducted a securities business on forty-three separate dates while failing to maintain its required minimum net capital.
4. Between September 26, 2012 and October 30, 2014, FINRA sent to Alluvion, with a copy to Jumper, fifteen surveillance letters:
 - Directing Alluvion to immediately file a SEA Rule 17a-11 financial notification;
 - Reminding Alluvion of the requirements of FINRA Rule 4110(b)(1), which provide that a FINRA member firm shall suspend all business operations during any period in which it is not in compliance with the Net Capital Rule; and,
 - Warning Alluvion that if Alluvion conducts a securities business while it is not in compliance with the Net Capital Rule, [the] letter may be used to establish the willful nature of such violation(s) by it and its responsible individuals.
5. Eight of those surveillance letters were sent to Alluvion, copying Jumper, between September 5, 2012 and October 8, 2013,³ the period during which Alluvion conducted a securities business on forty-three separate dates while failing to maintain its required minimum net capital.
6. Jumper received, reviewed and was familiar with the aforementioned surveillance letters received from FINRA.

² Specifically, September 30, 2012, October 31, 2012, November 30, 2012, December 31, 2012, January 31, 2013, February 28, 2013, March 31, 2013 (initial), March 31, 2013 (amended), April 30, 2013 (initial), April 30, 2013 (amended), May 31, 2013, June 30, 2013, and September 30, 2013.

³ Specifically, October 25, 2012, November 27, 2012, September 27, 2012, January 28, 2013, February 27, 2013, June 26, 2013, July 25, 2013, and August 31, 2013.

RESPONDENT JUMPER'S RESPONSIBILITIES AT ALLUVION

7. At all times relevant to the Complaint, Jumper was the CEO and CCO at Alluvion responsible for the issuance and dissemination of all Firm Written Supervisory Procedures ("WSPs") and the designated principal responsible for all supervisory principal duties. Jumper was also the designated principal responsible for all municipal activity, including trading, and underwriting, including operations.
8. At all times relevant to the Complaint, Alluvion's WSPs designated the CCO, Jumper, as responsible for ensuring that Alluvion "maintains [WSPs], including any amendments, modifications, and revisions to the [WSPs], describing the policies and practices of [Alluvion] with respect to compliance with applicable laws and rules and supervision of the activities of associated persons."

FIRST CAUSE OF ACTION

NET CAPITAL VIOLATIONS

(VIOLATIONS OF FINRA RULES 2010 AND 4110(B)(1) BY RESPONDENT JUMPER)

9. SEA Rule 15c3-1 requires each broker-dealer to maintain, at all times, a certain amount of net capital. The rule sets forth various categories of required net capital depending on the type of securities business conducted by a broker-dealer.
10. At all relevant times, Alluvion operated pursuant to subparagraph (a)(2)(iii) of SEA Rule 15c3-1 and had a minimum net capital requirement of \$100,000. The firm operates under this provision because it engages in trading at risk from inventory.
11. FINRA Rule 4110(b)(1) requires member firms to suspend all business operations during any period in which it is not in compliance with applicable net capital requirements set forth in SEA Rule 15c3-1.

12. FINRA Rule 2010 states that “a member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.” The rule applies with equal force to associated persons. Further, violations of SEA rules and other FINRA rules also violate FINRA Rule 2010.
13. On forty-three days from September 5, 2012 through October 8, 2013, Alluvion failed to comply with SEA Section 15(c) and Rule 15c3-1 promulgated thereunder, in that it used the instrumentalities of interstate commerce or the mails to conduct a securities business while failing to maintain its required net capital.
14. The Firm’s net capital and deficiencies ranged between (\$64.13) and (\$82,801.25) as described in Appendix A to the Complaint, which is hereby incorporated by reference. Alluvion’s net capital deficiencies were attributable to Alluvion’s expenses being greater than revenues.
15. During the days on which it maintained deficient net capital, the Firm engaged in municipal securities transactions in the secondary market executed by broker HA, who was then associated with the Firm, and the underwriting and closing of two separate offerings: the June 26, 2013 Mississippi Development Bank Special Obligation Bonds Series 2013 Offering (“Mississippi Bank Offering”), and the October 7, 2013 Calcasieu Parish, State of Louisiana Water Revenue Refunding Bonds, Series 2013 Offering (“Calcasieu Parish Offering”).
16. Jumper knew of the Firm’s history of repeated net capital violations and of the Firm’s recent problems with maintaining minimum net capital compliance.

17. Moreover, Jumper failed to verify that the Firm had the requisite minimum amount of net capital before he himself engaged in the underwriting and closing of both the Mississippi Bank and Calcasieu Parish Offerings.
18. At all times relevant to the Complaint, Jumper knew, should have known, or was reckless in not knowing that his actions would result in Alluvion conducting a securities business while failing to maintain its minimum net capital requirement. Yet, by his actions, he allowed the Firm to conduct a securities business while below its minimum net capital requirement.
19. As a result of the foregoing conduct, Jumper violated FINRA Rules 2010 and 4110(b)(1).

SECOND CAUSE OF ACTION

SUPERVISORY VIOLATIONS (VIOLATION OF NASD CONDUCT RULE 3010 AND FINRA RULE 2010 BY RESPONDENT JUMPER)

20. NASD Conduct Rule 3010 requires members to establish and maintain a system and establish, maintain and enforce written procedures to supervise the activities of registered representatives and associated persons which are reasonably designed to achieve compliance with securities laws, regulations, and FINRA's rules.
21. Pursuant to the WSPs, Jumper was responsible for the issuance, dissemination and maintenance of Alluvion's WSPs, including any amendments, modifications or revisions thereto.
22. From September 5, 2012 through October 8, 2013, Alluvion failed to establish and maintain a supervisory system and establish, maintain and enforce WSPs reasonably

designed to achieve compliance with the requirements of FINRA rules and the federal securities laws concerning net capital compliance.

23. While Alluvion's WSPs provided that the Firm was to maintain minimum net capital compliance on the days on which it conducted a securities business, Alluvion's WSPs did not provide for any mechanism or system to adequately address how the FINOP is to ensure Alluvion's compliance with SEA Rule 15c3-1, or how the FINOP is to ensure that the Firm was in net capital compliance during all hours in which business was being conducted.

24. Despite knowing of the Firm's history of net capital issues and that the Firm was routinely below required minimum net capital, Jumper did not put in place a system to ensure that the Firm did not conduct a securities business while net capital deficient.

25. By failing to establish and maintain a supervisory system and establish, maintain and enforce written supervisory procedures reasonably designed to achieve compliance with the requirements of FINRA rules and the federal securities laws concerning net capital compliance, Jumper violated NASD Conduct Rule 3010 and FINRA Rule 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 suspended for two-months from association with any FINRA member in all principal capacities and fined \$15,000.

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

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

SO ORDERED.

FINRA

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



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