

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

ALLUVION SECURITIES, LLC
(CRD No. 143623)

and

LOWELL S. WILSON
(CRD No. 2322723)

and

JOHN S. JUMPER
(CRD No. 2809649)

RESPONDENTS.

DISCIPLINARY PROCEEDING
Nos. 2013035347704

COMPLAINT

The Department of Enforcement alleges as follows:

SUMMARY

1. On forty-three occasions during the period from September 5, 2012 through October 8, 2013, Alluvion Securities, LLC ("Alluvion" or the "Firm") conducted a securities business while failing to maintain its required minimum net capital in willful violation of Section 15(c) of the Securities Exchange Act of 1934 ("SEA") and Rule 15c3-1 thereunder, and in violation of FINRA Rules 2010 and 4110(b)(1). Alluvion acted through its Chief Executive Officer and Chief Compliance Officer, John Jumper, and its

Chief Financial Officer and Financial and Operations Principal (“FINOP”), Lowell Wilson, each of whose conduct violated FINRA Rules 2010 and 4110(b)(1).

2. Further, from September 5, 2012 through October 8, 2013, Alluvion, acting through Jumper and Wilson, failed to establish, maintain and enforce a supervisory system, including written supervisory procedures (“WSPs”), reasonably designed to achieve compliance with the requirements of FINRA rules and the federal securities laws to maintain net capital compliance. By this conduct, Alluvion, Jumper, and Wilson violated NASD Conduct Rule 3010 and FINRA Rule 2010.
3. Further, from January 30, 2013 through May 21, 2013, October 11, 2013 through January 31, 2014, and April 25, 2014 through October 30, 2014, Alluvion, acting through Wilson, failed to give notice or, where notice was given, timely notice of its insufficient net capital in willful violation of SEA Section 17(a) and SEA Rule 17a-11(b), (c) thereunder, and violation of FINRA Rule 2010. By this conduct, Wilson also violated FINRA Rule 2010.

RESPONDENTS AND JURISDICTION

4. Alluvion has been a member of FINRA since September 11, 2007 and is based in Memphis, Tennessee. The Firm has one Office of Supervisory Jurisdiction and no additional branch offices. It currently has three associated persons. Alluvion is approved to conduct business in government securities, mortgages, municipal securities, underwriting, non-profit securities, certificates of deposit, and private placements. FINRA retains jurisdiction over Alluvion because it is currently registered as a FINRA member firm. Alluvion has both an informal and formal disciplinary history for net capital violations.

5. Wilson first entered the securities industry on January 27, 1993 and has been associated with two member firms since that time as a Financial and Operations Principal, General Securities Principle, and General Securities Representative . Thereafter, he became associated with Alluvion on July 31, 2007 as a Financial and Operations Principal (FINOP), General Securities Principal, General Securities Representative, and Operations Professional.
6. On December 24, 2014, Alluvion filed a Uniform Termination Notice for Securities Industry Registration terminating Wilson's registrations with FINRA and his association with the Firm. Although Wilson is no longer registered with FINRA or associated with a FINRA member firm, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws because the Complaint was filed within two years after the date upon which he ceased to be associated with a FINRA member firm, namely, December 24, 2014, and the Complaint charges him with misconduct committed while he was associated with a FINRA member. Wilson, who was Alluvion's FINOP for both its informal and formal disciplinary history concerning net capital-related violations, also has a formal disciplinary history for net capital violations.
7. 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, Wilson.

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

8. Between September 26, 2012 and October 30, 2014, Alluvion, via Wilson, filed twenty-four FOCUS reports reflecting deficient net capital. Thirteen of those FOCUS reports were filed between September 5, 2012 and October 8, 2013,¹ the period during which Alluvion conducted a securities business on forty-three separate dates while failing to maintain its required minimum net capital.
9. Between September 26, 2012 and October 30, 2014, FINRA sent to Alluvion and Wilson, copying Jumper, fifteen surveillance letters:
 - Directing Alluvion and Wilson to immediately file a SEA Rule 17a-11 financial notification;
 - Reminding Alluvion and Wilson 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 and Wilson 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.
10. Eight of those surveillance letters were sent to Alluvion and Wilson, copying Jumper, 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.

¹ 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.

² 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.

11. Jumper and Wilson received, reviewed and were familiar with the aforementioned surveillance letters received from FINRA.

RESPONDENTS JUMPER AND WILSON'S RESPONSIBILITIES AT ALLUVION

12. 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.
13. 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."
14. At all times relevant to the Complaint, Alluvion's WSPs designated Wilson as FINOP.

Wilson, in his capacity as FINOP and pursuant to the WSPs, was responsible for:

- Ensuring Alluvion's compliance with SEA Rule 15c3-1;
- Ensuring that additional net capital funds were deposited into the Firm when necessary;
- Ensuring that the Firm was in net capital compliance during all hours in which business was being conducted;
- Preparing and filing of Alluvion's FOCUS reports.
- Ensuring compliance with all notification provisions under [SEA] Rule 17a-11, including, among other things, notices relating to net capital and books and records deficiencies."

FIRST CAUSE OF ACTION

**NET CAPITAL VIOLATIONS
(WILLFUL VIOLATIONS OF SEA SECTION 15(C) AND RULE 15C3-1 THEREUNDER, AND
VIOLATIONS OF FINRA RULES 2010 AND 4110(B)(1) BY RESPONDENT ALLUVION;
VIOLATIONS OF FINRA RULES 2010 AND 4110(B)(1) BY RESPONDENTS WILSON AND JUMPER)**

15. The allegations contained in Paragraphs 1 through 14 above are hereby realleged and incorporated by reference.
16. 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.
17. 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.
18. 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.
19. 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.
20. 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.

21. The Firm's net capital and deficiencies ranged between (\$64.13) and (\$82,801.25) as described on *Appendix A* attached hereto and incorporated by reference. Alluvion's net capital deficiencies were attributable to Alluvion's expenses being greater than revenues.
22. 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")
23. Wilson and 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.
24. 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.
25. At all times relevant to the Complaint, Wilson and Jumper knew, should have known, or were reckless in not knowing that their actions would result in Alluvion conducting a securities business while failing to maintain its minimum net capital requirement. Yet, by their actions, they allowed the Firm to conduct a securities business while below its minimum net capital requirement.
26. As a result of the foregoing conduct, Alluvion willfully violated SEA Section 15(c) and Rule 15c3-1 thereunder, and violated FINRA Rules 2010 and 4110(b)(1); and, Jumper and Wilson 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 RESPONDENTS ALLUVION, JUMPER, AND WILSON)

27. The allegations contained in Paragraphs 1 through 26 above are hereby realleged and incorporated by reference.
28. 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.
29. Pursuant to the WSPs, Jumper was responsible for the issuance, dissemination and maintenance of Alluvion's WSPs, including any amendments, modifications or revisions thereto.
30. Pursuant to the WSPs, Wilson was responsible for ensuring Alluvion's compliance with SEA Rule 15c3-1 and ensuring that the Firm was in net capital compliance during all hours in which business was being conducted.
31. 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.
32. 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 provide for any mechanism or system to adequately address how Wilson is to ensure

Alluvion's compliance with SEA Rule 15c3-1, or how he is to ensure that the Firm was in net capital compliance during all hours in which business was being conducted.

33. Despite knowing of the Firm's history of net capital issues and that the Firm was routinely below required minimum net capital, neither Jumper nor Wilson put in place a system to ensure that the Firm did not conduct a securities business while net capital deficient.

34. 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, Alluvion, Wilson and Jumper violated NASD Conduct Rule 3010 and FINRA Rule 2010.

THIRD CAUSE OF ACTION

FINANCIAL NOTIFICATION VIOLATIONS (WILLFUL VIOLATIONS OF SEA SECTION 17(A) AND RULE 17A-11(B), (C) BY RESPONDENT ALLUVION; VIOLATIONS OF FINRA RULE 2010 BY RESPONDENTS ALLUVION AND WILSON)

35. The allegations contained in Paragraphs 1 through 34 above are hereby realleged and incorporated by reference.

36. SEA Rule 17a-11(b) requires every broker or dealer whose net capital amount declines below the minimum amount required to give notice that same day to both the SEC and FINRA. If a broker or dealer is informed by FINRA or the SEC that it is in violation of SEA 15c3-1 and the broker or dealer has not given notice under SEA Rule 17a-11, then the broker or dealer shall give notice of the claimed deficiency.

37. Pursuant to the WSPs, Wilson, as FINOP, was responsible for ensuring compliance with all notification provisions under SEA Rule 17a-11, including notices relating to net capital and books and records deficiencies.
38. On January 31, 2013, Alluvion filed a FOCUS report reflecting a net capital deficiency for January 2013.
39. On February 27, 2013, FINRA sent a surveillance letter to Alluvion and Wilson, copying Jumper, instructing them to file a SEA Rule 17a-11 financial notification concerning the January 2013 net capital deficiency.
40. The surveillance letter from FINRA stated, among other things, that Alluvion must immediately file a SEA Rule 17a-11 financial notification concerning the net capital deficiency and that if Alluvion conducts a securities business while out of net capital compliance that the surveillance letter may be used to establish the willful nature of such violation(s) by it and its responsible individuals.
41. Despite receiving the February 27, 2013 surveillance letter from FINRA, Alluvion failed to file a Rule 17a-11 financial notification concerning the January 2013 net capital deficiency referenced in Alluvion's January 2013 month-end FOCUS filing.
42. From February 28, 2013 through May 31, 2013 Alluvion filed FOCUS reports reflecting additional net capital deficiencies. However, the Firm failed to file a SEA Rule 17a-11 financial notification concerning net capital deficiencies for any date throughout that time period.
43. From October 31, 2013 through January 31, 2014, Alluvion filed FOCUS reports reflecting additional net capital deficiencies. However, the Firm failed to file a SEA Rule

17a-11 financial notification concerning net capital deficiencies for any date throughout that time period.

44. On April 30, 2014, Alluvion filed a FOCUS report reflecting a net capital deficiency for April 2014.

45. On May 28, 2014, FINRA sent a surveillance letter to Alluvion and Wilson, copying Jumper. The surveillance letter instructed the Firm to file a Rule 17a-11 financial notification concerning the net capital deficiency as of April 30, 2014. The Firm did not make the requisite filing.

46. Thereafter, from May 31, 2014 through September 30, 2014, Alluvion filed FOCUS reports reflecting net capital deficiencies. From June 25, 2014 through September 25, 2014, FINRA sent four surveillance letters to Alluvion and Wilson, copying Jumper, addressing the FOCUS filings for May, June, July, and August 2014 and instructing the Firm to file a Rule 17a-11 financial notification. The Firm did not make the requisite filings.

47. In fact, the Firm did not make any SEA Rule 17a-11 financial notification filing for the period of April 25, 2014 through September 30, 2014 until October 30, 2014. Such filing was untimely.

48. By failing to file and timely file the aforementioned Rule 17a-11 filings, Alluvion willfully violated SEA Section 17(a) and SEA Rule 17a-11(b), (c) thereunder, and Alluvion and Wilson violated FINRA Rule 2010.

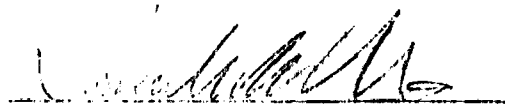
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondents committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including that Respondents be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest;
- C. order that Respondents bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and
- D. make specific findings that Respondent Alluvion willfully violated SEA Sections 15(c) and 17(a) and Rules 15c3-1 and 17(a)-11 thereunder.

FINRA DEPARTMENT OF ENFORCEMENT

Date: June 19, 2015



Sarah B. Belter, Esq.
Senior Regional Counsel
FINRA Department of Enforcement
Energy Centre
1100 Poydras Street, Suite 850
New Orleans, LA 70163-1108
Phone: 504-522-6527
Fax: 504-581-3699
E-mail: sarah.belter@finra.org

David B. Klafter, Esq.
Regional Chief Counsel
Authorized House Counsel
Member of NY and NJ Bars Only
FINRA -- Department of Enforcement
5200 Town Center Circle
Tower 1, Suite 200
Boca Raton, FL 33486
Phone: 561-443-8110
Fax: 561-443-7998
E-mail: david.klafter@finra.org

Appendix A

[Alluvion Net Capital Deficiencies]

#	Date	Required Net Capital	Firm's Net Capital	Deficiency	Securities Business
1	September 5, 2012	\$100,000	\$84,994.92	(\$15,005.08)	Municipal Securities Trade
2	September 7, 2012	\$100,000	\$78,099.81	(\$21,900.19)	Municipal Securities Trade
3	September 11, 2012	\$100,000	\$78,008.52	(\$21,991.48)	Municipal Securities Trade
4	September 13, 2012	\$100,000	\$78,008.52	(\$21,991.48)	Municipal Securities Trade
5	September 18, 2012	\$100,000	\$68,689.41	(\$31,310.59)	Municipal Securities Trade
6	October 3, 2012	\$100,000	\$62,889.51	(\$37,110.49)	Municipal Securities Trade
7	October 10, 2012	\$100,000	\$74,134.40	(\$25,865.60)	Municipal Securities Trade
8	October 11, 2012	\$100,000	\$74,134.40	(\$25,865.60)	Municipal Securities Trade
9	October 31, 2012	\$100,000	\$70,483.82	(\$29,516.18)	Municipal Securities Trade
10	November 7, 2012	\$100,000	\$67,981.21	(\$32,018.79)	Municipal Securities Trade
11	November 15, 2012	\$100,000	\$70,179.29	(\$29,820.71)	Municipal Securities Trade
12	January 4, 2013	\$100,000	\$43,517.99	(\$56,482.01)	Municipal Securities Trade
13	January 22, 2013	\$100,000	\$17,198.75	(\$82,801.25)	Municipal Securities Trade
14	January 29, 2013	\$100,000	\$63,413.42	(\$36,586.58)	Municipal Securities Trade
15	January 30, 2013	\$100,000	\$63,413.42	(\$36,586.58)	Municipal Securities Trade
16	February 1, 2013	\$100,000	\$55,072.44	(\$44,927.56)	Municipal Securities Trade
17	February 4, 2013	\$100,000	\$55,045.74	(\$44,954.26)	Municipal Securities Trade
18	February 5, 2013	\$100,000	\$55,007.74	(\$44,992.26)	Municipal Securities Trade
19	February 6, 2013	\$100,000	\$55,007.74	(\$44,992.26)	Municipal Securities Trade
20	February 12, 2013	\$100,000	\$76,386.70	(\$23,613.30)	Municipal Securities Trade
21	February 20, 2013	\$100,000	\$71,159.12	(\$28,840.88)	Municipal Securities Trade
22	February 21, 2013	\$100,000	\$67,740.48	(\$32,259.52)	Municipal Securities Trade
23	February 27, 2013	\$100,000	\$64,808.16	(\$35,191.84)	Municipal Securities Trade
24	March 11, 2013	\$100,000	\$49,428.63	(\$50,571.37)	Municipal Securities Trade
25	March 12, 2013	\$100,000	\$49,380.63	(\$50,619.37)	Municipal Securities Trade
26	March 14, 2013	\$100,000	\$49,342.63	(\$50,657.37)	Municipal Securities Trade
27	March 20, 2013	\$100,000	\$63,160.60	(\$36,839.40)	Municipal Securities Trade
28	May 31, 2013	\$100,000	\$87,959.59	(\$12,040.41)	Municipal Securities Trade
29	June 12, 2013	\$100,000	\$69,129.74	(\$30,870.26)	Municipal Securities Trade
30	June 17, 2013	\$100,000	\$56,940.46	(\$43,059.54)	Municipal Securities Trade
31	June 18, 2013	\$100,000	\$51,102.53	(\$48,897.47)	Municipal Securities Trade
32	June 19, 2013	\$100,000	\$51,102.53	(\$48,897.47)	Municipal Securities Trade
33	June 26, 2013	\$100,000	\$47,490.05	(\$52,509.95)	Mississippi Bank Offering
34	June 27, 2013	\$100,000	\$47,300.05	(\$52,699.95)	Mississippi Bank Offering
35	June 28, 2013	\$100,000	\$47,029.24	(\$52,970.76)	Mississippi Bank Offering
36	September 5, 2013	\$100,000	\$99,935.87	(\$64.13)	Municipal Securities Trade
37	September 6, 2013	\$100,000	\$98,464.34	(\$1,535.66)	Municipal Securities Trade
38	September 10, 2013	\$100,000	\$96,734.34	(\$3,265.66)	Municipal Securities Trade
39	September 12, 2013	\$100,000	\$93,734.34	(\$6,265.66)	Municipal Securities Trade
40	September 18, 2013	\$100,000	\$87,439.22	(\$12,560.78)	Municipal Securities Trade
41	October 3, 2013	\$100,000	\$48,730.92	(\$51,269.08)	Municipal Securities Trade
42	October 7, 2013	\$100,000	\$48,730.92	(\$51,269.08)	Calcasieu Parish Offering
43	October 8, 2013	\$100,000	\$46,230.92	(\$53,769.08)	Calcasieu Parish Offering