

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

Department of Enforcement,

Complainant,

v.

ALLUVION SECURITIES, LLC
(CRD No. 143623),

Respondent.

Disciplinary Proceeding
No. 2013035347704

Hearing Officer: MJD

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: November 20, 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 Alluvion Securities, LLC submitted an Offer of Settlement (Offer) to Complainant dated November 17, 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. 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.
2. On February 22, 2012, Alluvion was censured and fined \$20,000 for committing various net capital, recordkeeping, capital withdrawal notification, and FOCUS reporting violations. Alluvion also committed certain membership agreement violations. As a result of such conduct, Alluvion violated Sections 15(c) and 17(a) of the Securities Exchange Act of 1934, SEC Rules 15c3-1, 17a-3, 17a-5 and 17a-11, NASD Rules 1017 and 3110(a), and FINRA Rule 2010.
3. On June 12, 2013, Alluvion was censured and fined \$45,000 (\$25,000 of which pertained to the violations of MSRB Rules G-32, G-27 and G-37) for violating Sections 15(c) and 17(a) of the Securities Exchange Act of 1934, SEC Rules 15c3-1, 17a-3, 17a-5 and 17a-11, NASD Rule 3110, and FINRA Rule 2010.

FINDINGS AND CONCLUSIONS

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

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

4. 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.
5. Between September 26, 2012 and October 30, 2014, FINRA sent to Alluvion 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.
6. Eight of those surveillance letters were sent to Alluvion 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.

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

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.

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)

7. 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.
8. 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.
9. 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.
10. 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.
11. 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.
12. 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.

13. 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").
14. 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).

SECOND CAUSE OF ACTION

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

15. 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.
16. From September 5, 2012 through October 8, 2013, Alluvion failed to establish and maintain a supervisory system and establish, maintain and enforce Written Supervisory Procedures (WSPs) reasonably designed to achieve compliance with the requirements of FINRA rules and the federal securities laws concerning net capital compliance.

17. 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 he is to ensure that the Firm was in net capital compliance during all hours in which business was being conducted.
18. 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 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), AND VIOLATIONS OF FINRA RULE 2010 BY RESPONDENT ALLUVION)

19. 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.
20. On January 31, 2013, Alluvion filed a FOCUS report reflecting a net capital deficiency for January 2013.
21. On February 27, 2013, FINRA sent a surveillance letter to Alluvion instructing the Firm to file a SEA Rule 17a-11 financial notification concerning the January 2013 net capital deficiency.

22. 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.
23. 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.
24. 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.
25. 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.
26. On April 30, 2014, Alluvion filed a FOCUS report reflecting a net capital deficiency for April 2014.
27. On May 28, 2014, FINRA sent a surveillance letter to Alluvion. 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.
28. 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 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.

29. 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.

30. 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 violated FINRA Rule 2010.

Based on the foregoing, Respondent Alluvion willfully violated SEA Section 15(c) and Rule 15c3-1, SEA Section 17(a) and SEA Rule 17a-11(b) and (c), and violated FINRA Rules 2010 and 4110(b)(1) and NASD Conduct Rule 3010.

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 censured and fined \$100,000.

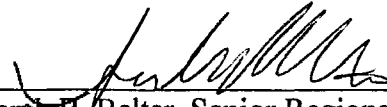
Respondent agrees to pay the monetary sanction(s) upon notice that this Offer has been accepted and that such payments are due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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

A handwritten signature in black ink, appearing to read 'Sarah B. Belter', is written over a horizontal line.

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