

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013035775301**

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

RE: Javier Tellez, Respondent
General Securities Representative
CRD No. 4589012

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Javier Tellez ("Tellez") submit 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, 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

Tellez entered the securities industry in October 2003 when he became associated with a FINRA member. From October 15, 2010 through July 30, 2012, Tellez was associated with Capital Guardian, LLC ("Capital Guardian"). Tellez holds Series 7 and 66 licenses. Tellez's last association with a FINRA member firm was terminated on May 7, 2013. Although Tellez is not currently associated with a FINRA member, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4(a) of FINRA's By-Laws, which provides for a two-year period of retained jurisdiction over formerly-registered persons.

RELEVANT DISCIPLINARY HISTORY

Tellez does not have any prior disciplinary history.

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OVERVIEW

During the time period from January 1, 2010 through June 30, 2012 (hereinafter the "relevant time period"), Capital Guardian's Anti-Money Laundering Compliance Program (hereinafter "AMLCP") provided that its employees were required to immediately report any possible violations of the firm's AMLCP to the firm's Anti-Money Laundering ("AML") principal. Tellez failed to report certain AML red flags indicative of potentially suspicious activity, as identified within the firm's AMLCP, which were exhibited in various customer accounts involving potentially suspicious liquidations of Venezuelan sovereign and state-sponsored bonds. By failing to report this potentially suspicious activity for further investigation as required by the firm's AMLCP, Tellez failed to implement Capital Guardian's AMLCP, in violation of FINRA Rules 3310(a) and 2010.

FACTS AND VIOLATIVE CONDUCT

Capital Guardian's AMLCP

During the relevant time period, Capital Guardian's AMLCP required all firm employees to immediately report any possible violations of the firm's AMLCP to the firm's AML principal. While Capital Guardian's AMLCP was not properly tailored to the risks posed by the deposit and liquidation of Venezuelan bonds, Capital Guardian's existing AMLCP still listed, among others, the following AML red flags that should have required additional due diligence by the firm:

- The customer exhibits unusual concern about the firm's compliance with government reporting requirements and the firm's AML policies, particularly with regard to his or her identity, type of business and assets, or the customer is reluctant or refuses to reveal any information concerning business activities or furnishes unusual or suspect identification or business documents;
- The customer's account has a large number of wire transfers to unrelated third parties inconsistent with the customer's legitimate business purpose;
- The customer engages in excessive journal entries between unrelated accounts without any apparent business purpose;
- The customer's account indicates large or frequent wire transfers, immediately withdrawn by check or debit card without any apparent business purpose;
- The customer's account shows an unexplained high level of account activity with very low levels of securities transactions;
- The customer's account has inflows of funds or other assets well beyond the known income or resources of the customer; and
- The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.



The Tellez Accounts

During the relevant time period, approximately 30 customer accounts were opened at Capital Guardian that Tellez serviced, which were all held or beneficially owned by Venezuelan entities and individuals (hereinafter the "Tellez accounts"). The Tellez account owners (or beneficial owners) were typically Venezuelan nationals of Middle Eastern descent, who were related and were purportedly engaged in various import/export businesses involving textiles. The majority of the Tellez accounts utilized the same physical address in Venezuela.

According to the U.S. State Department, due to Venezuela's proximity to drug producing countries, weaknesses in its anti-money laundering regime, refusal to cooperate regularly with the United States in mutual legal assistance matters, including on counter-narcotics activities, and alleged substantial corruption in law enforcement and other relevant sectors continue to make Venezuela vulnerable to money laundering. The U.S. State Department's Bureau for International Narcotics and Law Enforcement Affairs further warned in a March 2010 report that, "the main sources of money laundering are proceeds generated by drug trafficking organizations, the embezzlement of funds from the petroleum industry, and illegal transactions that exploit Venezuela's currency control." Additionally, Venezuela has maintained historical economic ties to the rogue nation of Iran, which is subject to economic sanctions imposed by the U.S. government. Therefore, the Tellez accounts presented a higher risk to the firm and should have been monitored appropriately to mitigate that risk.

Sistema de Transacciones con Titulos en Moneda Extranjera

During the account-opening process for some of the Tellez accounts, Tellez prepared attestations for the firm regarding the expected activity in the accounts. The attestations indicated that the anticipated activity in the Tellez accounts was purportedly associated with a program called the Sistema de Transacciones con Titulos en Moneda Extranjera ("SITME"). According to public records, SITME was a foreign exchange market created by the Central Bank of Venezuela ("CBV") on June 9, 2010, and in which Venezuelan entities, and to a lesser extent individuals, could convert Venezuelan Bolivars ("VEF") to U.S. Dollars ("USD") (or other currency foreign to Venezuela) by purchasing approved USD denominated Venezuelan bonds locally in VEF and selling the bonds abroad for USD. SITME was closed by the CBV in February 2013. While in existence, SITME transactions were subject to certain limitations and requirements by the Venezuelan government which included, without limitation, the following:

- The transactions must be effected through authorized financial institutions such as universal banks and commercial banks;
- An entity or individual purchasing securities through SITME must first submit an application through the Registro de Usuarios del SITME ("RUSITME");
- An entity or individual purchasing securities through SITME must submit an affidavit to an authorized financial institution demonstrating that the entity or

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individual satisfies certain conditions to acquire the securities via SITME and that the resulting funds will be used only for the purpose stated in the request;

- Approved purposes include, among other things, the purchase of goods or services related to trade, food, mining, and health, or study abroad;
- Companies may purchase a monthly maximum of \$350,000 of securities through SITME at a maximum daily rate of \$50,000;
- Individuals may purchase within varying limits in accordance with the purpose (e.g., for study abroad individuals may purchase up to \$5,000 per year); and
- BCV regulates the terms and conditions of the transactions including the exchange rate and the minimum and maximum price for such SITME purchases and sales.

The mechanics of the SITME process were generally as follows: (1) Authorized Venezuelan-based financial institutions were allocated approved Venezuelan sovereign or state-sponsored bonds on behalf of their underlying customer(s) from the BCV; (2) the Venezuelan-based financial institutions deposited the Venezuelan bonds at U.S. broker-dealers for liquidation into USD; and (3) the proceeds of the liquidations would be transferred to other accounts held by the same Venezuelan-based financial institution maintained outside of Venezuela. During its existence, the supply of SITME approved debt was limited to around 30-35 percent of the local demand for USD which led to the emergence of a black market alongside the central bank-controlled system.

One of the aforementioned attestations prepared by Tellez included instructions that proceeds of some bond liquidations in certain Tellez accounts would be sent to customer NOA and/or his family members instead of suppliers of the textile businesses. Since SITME requires that individuals and entities attest that funds from the liquidations be used for business purposes, this activity was a direct breach of the SITME restrictions.

Suspicious Activity in the Tellez Accounts that Constituted AML Red Flags and Possible Violations of the Firm's AMLCP

The account activity in the Tellez accounts raised various AML red flags as identified by Capital Guardian's AMLCP. Specifically, the majority of the Tellez accounts exhibited a pattern of receiving Venezuelan bonds, after which the bonds were sold in a short period of time, followed by disbursement of the sale proceeds by outgoing wire transfers, checks and ATM withdrawals without re-investment. The outgoing disbursements were made to both first-party and third-party accounts away from Capital Guardian, which differed from expected activity under SITME. Certain of the Tellez accounts engaged in extensive money movements after the liquidation of Venezuelan bonds without any further corresponding securities activity, which often times exceeded the account holders' stated net worth and annual income. Other Tellez accounts solely engaged in extensive money movements without any corresponding securities or bond liquidation activity, which exceeded the account holders' stated net worth and annual income.

For example, the account activity of Tellez customers CB and IVM raised AML red flags under Capital Guardian's AMLCP. On March 17, 2011, customer CB received a

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\$256,000 wire transfer and the funds were used four days later to purchase 300 Venezuelan bonds from another U.S. broker dealer. Account holder IVM had money movements during the relevant time period in excess of \$566,000. The source of funds for the wire transfers was a free receipt of 772 Venezuelan bonds on March 29, 2011, which carried a face value of \$772,000, and which were sold on April 4, 2011 for \$566,698. Three days after the liquidations, IVM sent the sale proceeds to customer CB via a third-party journal transfer in the amount of \$566,698. IVM did not conduct any other account activity during the relevant period. Five days after CB received the third party journal transfer from IVM, CB wrote two third-party checks totaling \$229,651. Two months later, CB wrote two additional third-party checks totaling \$83,847. According to new account documents, CB's liquid net and total net worth were both listed as \$800,000, with an annual income of \$500,000.

Customers CB and IVMs' account activity did not comport with the SITME process. As set forth above, SITME contemplates that liquidation proceeds would be transferred to other accounts held by the same Venezuelan-based financial institution maintained outside of Venezuela. IVM's liquidation proceeds were not sent to a first-party account at a U.S. bank or a bank outside of Venezuela, but rather transferred to customer CB via a third-party journal transfer. Second, the size of the transactions also exceeded the monthly purchase limits for SITME transactions. Third, based upon the account's total money movements of \$1.44 million dollars during the relevant time period, CB moved funds through the account totaling 180 percent of the customer's net worth and 229 percent of the customer's annual income. The money movements were not contemplated activity for the account and inconsistent with the SITME process.

Another example of activity that should have required additional due diligence under Capital Guardian's AMLCP involved Tellez account RZL. During the relevant time period, RZL had total money movements of approximately \$4.6 million, which accounted for between 76 and 92 percent of the customer's net worth, and between 232 and 465 percent of the customer's annual income. During the time period November 24, 2010 through December 17, 2010, RZL received six wire transfers totaling \$1,549,449.38 from a third-party account at a U.S. bank in the name of PGP. On December 13, 2010 and January 5, 2011, RZL sent two outgoing wires totaling \$1,549,438.49 to a third-party account at a U.S. bank in the name of DT. The only other activity conducted by RZL during the relevant time period involved a series of back and forth journal transfers in December 2010, each in the amount of \$775,000, between accounts of RZL and DT. The foregoing activity constituted AML red flags as articulated under Capital Guardian's AMLCP in that the account activity did not involve the receipt and sale of Venezuelan bonds, but rather consisted solely of incoming and outgoing money movements between RZL, PGP and DT, all of which were owned or controlled by Tellez customer AMK. The money movements were inconsistent with the SITME process and the anticipated activity in the account as set forth by the customers and Tellez himself.

In addition to being aware of activity that was inconsistent with the SITME process, Tellez also attempted to assist a customer open additional accounts to circumvent SITME restrictions. Specifically, during the relevant time period, Tellez customer AMK

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attempted to open 20 additional accounts at Capital Guardian, which the firm declined to open. Tellez was aware that AMK desired to open the additional accounts because AMK required more USD than was attainable through SITME due to the monthly/daily SITME limits.

By failing to report the above-described account activity and other similar activity in other Tellez accounts to Capital Guardian's AML principal as required by the firm's AMLCP, Tellez failed to implement the firm's AMLCP and violated FINRA Rules 3310(a) and 2010.

B. I also consent to the imposition of the following sanctions:

- A three-month suspension from association with any FINRA member in any capacity; and
- A \$5,000 fine.

The fine shall be due and payable either immediately upon reassociation with a member firm following the three-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.

I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

I understand that if I am barred or suspended from associating with any FINRA member, I become 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, I 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).

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

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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, I specifically and voluntarily waive 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.

I further specifically and voluntarily waive 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

I understand 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 me; and
- C. If accepted:
1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. I 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. I 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 my: (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. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have 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 me to submit it.

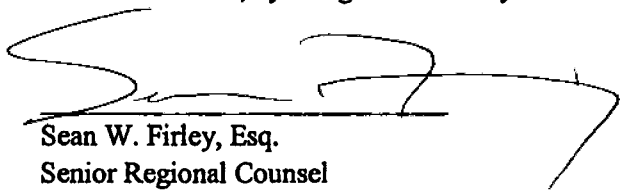
09/16/2014
Date(mm/dd/yyyy)


Javier Tellez, Respondent

Accepted by FINRA:

10/10/14
Date

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


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