

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013036797001**

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

RE: OFS Securities, Inc. (n/k/a/ Oriental Financial Services Corp.)
Respondent Broker-Dealer
CRD No. 39615 (now CRD No. 29753)

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, OFS Securities, Inc. (f/k/a/ BBVA Securities of Puerto Rico, Inc.) ("OFS Securities" or the "firm") 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 it 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

OFS Securities became registered with FINRA on March 5, 1996. On January 22, 2013, the firm changed its primary business name from BBVA Securities of Puerto Rico, Inc. to OFS Securities, Inc. On August 1, 2013, OFS Securities, Inc. merged with and into Oriental Financial Services Corp. (CRD No. 29753). Oriental Financial Services Corp. has been registered as a FINRA member since January 4, 1993, and its registration remains in effect. It employs 46 registered individuals and maintains twelve branches in Puerto Rico.

OVERVIEW

In 2012 and 2013, while operating as BBVA Securities of Puerto Rico, Inc., OFS Securities failed to produce certain documents and information prior to the start of a FINRA arbitration hearing as ordered by the arbitration panel. OFS Securities should have been aware that, and actively considered whether, responsive documents and information could be located in its warehouse or obtained from its clearing firm. OFS

Securities, however, failed to produce the documents to the claimant until the hearing had already begun. OFS Securities thereby violated FINRA Rules 2010 and IM-12000.

FACTS AND VIOLATIVE CONDUCT

Facts

In July 2011, a customer filed a Statement of Claim against OFS Securities alleging that she had lost more than \$600,000 as a result of the firm's October 2007 recommendation that she invest \$1.145 million in the Puerto Rico & Global Income Target Maturity Fund (the "Fund"). The Fund was designed to provide Puerto Rican investors with exposure to investment-grade global bond markets, while maintaining certain tax advantages offered by Puerto Rican investment companies. The claimant alleged that prior to the Lehman Brothers bankruptcy, the Fund—with OFS Securities' participation—violated its investment policy by investing more than 90% of its assets in two promissory notes dependent on the creditworthiness of Lehman Brothers (the "Lehman" and "Granite" Notes). The claimant further alleged that OFS Securities' recommendation of the Fund was unsuitable, and that OFS Securities had a conflict of interest because it both brokered the Lehman and Granite promissory note transactions and recommended the purchase of the Fund to the claimant. In its Answer to the Statement of Claim, OFS Securities asserted, among other things, that the decision to invest in the Lehman and Granite Notes was not caused by the firm and that these investments had been located by the Fund's third-party investment advisor "with the assistance of securities broker-dealers located in New York."

In February 2012, the claimant served requests for documents and information on OFS Securities asking for, among other things, all documents that referred or related to the Fund's purchase of the Lehman and Granite Notes, and any mark ups or other consideration received by OFS Securities in connection with those transactions. In May 2012, after the claimant filed a motion to compel related to these and other requests, the arbitration panel ordered OFS Securities to produce all responsive documents in its care, custody, or control. The panel also ordered OFS Securities to certify that, to the extent that it did not have responsive documents within its care, custody or control, it had conducted a diligent search but was unable to locate any responsive documents.

By May 2012, OFS Securities understood that it had brokered the Lehman and Granite Notes for the Fund and should have been aware that, and actively considered whether, documents responsive to the claimant's requests were available to it in its warehouse or from its clearing firm. OFS Securities also should have been able to provide the claimant with certain details of the transactions from its trade blotter, which it was required to maintain for six years pursuant to Securities Exchange Act Rules 17a-3 and 17a-4. OFS Securities, however, failed to produce records related to the two transactions until the start of the hearing almost one year later. OFS Securities also failed to search for and produce responsive emails that had been sent and received by one of its former employees who had also been a Director of the Fund. In June 2012, OFS Securities inaccurately represented to the claimant that it had produced all documents in its

possession that were responsive to the requests that it had been able to locate after a diligent search.

At the commencement of the hearing in April 2013, the claimant re-raised the issue of OFS Securities' failure to produce documents ordered by the panel, and OFS Securities stipulated that it had brokered the purchases of the Lehman and Granite Notes. As the case was being heard, OFS Securities produced additional documents responsive to the claimant's February 2012 document request, including the trade confirmations for the Lehman and Granite Note transactions, account statements that reflected the trades, and electronic records showing both transactions. OFS Securities also produced approximately 1,800 pages of emails and attachments.

The documents that OFS Securities produced during the hearing showed that the firm executed riskless principal transactions on behalf of the Fund in April and May 2008, acquiring the Lehman Note for \$6.825 million and selling it to the Fund for \$7 million, and acquiring the Granite Note for \$5.586 million and selling it to the Fund for \$5.7 million. The emails that OFS Securities produced during the hearing related to the firm's involvement in discussing the terms of the Lehman and Granite Notes and in negotiating partial repayment of the notes following Lehman's bankruptcy in September 2008.

The claimant moved for sanctions and other relief based on OFS's failure to produce documents, but elected to proceed with the hearing. As part of its award to the claimant, the FINRA arbitration panel sanctioned OFS Securities \$100,000, \$50,000 of which represented attorneys' fees, for failing to produce documents in accordance with the panel's order.

Violations

FINRA Rule 2010 requires that members, in the conduct of their business, observe high standards of commercial honor and just and equitable principles of trade. FINRA Code of Arbitration Procedure for Customer Disputes IM-12000 further states, in relevant part, that "it may be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 2010 for a member or a person associated with a member to . . . fail to appear or to produce any document in his possession or control as directed pursuant to provisions of the Code." As described above, contrary to the arbitration panel's order, OFS Securities failed to produce trade blotters, account statements, and emails related to the two transactions at issue in the arbitration until after the arbitration hearing had already begun. OFS Securities also inaccurately represented to the claimant that it did not have responsive documents in its possession, custody, or control. Accordingly, OFS Securities violated FINRA Rule 2010 and IM-12000.

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

A Censure, and;

A fine of \$50,000.

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

Respondent agrees to pay the monetary sanction 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 sanction imposed in this matter.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- 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

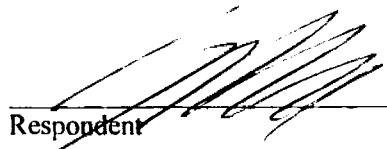
Respondent understands that:

- 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 accordance with FINRA Rule 8313;
 - 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 the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and have 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.

5/4/15

Date (mm/dd/yyyy)


Respondent

OFS Securities, Inc.
(n/k/a/ Oriental Financial Services Corp.)

By: Sean Miles, President

Reviewed by:



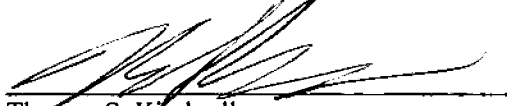
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787-773-6001

Accepted by FINRA:

5/21/15

Date

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



Thomas S. Kimbrell
Senior Counsel
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