

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014039056101**

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

RE: Fortrend Securities, Inc., Respondent
Member Firm
CRD No. 32949

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Fortrend Securities, Inc. 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 Respondent 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

Fortrend Securities, Inc. ("Fortrend Securities") has been a FINRA member since 1993. The firm is co-located in Melbourne, Australia with its Australian affiliate, Fortrend Securities Pty Ltd, which is an Australian financial services firm. Fortrend Securities' business primarily consists of introducing U.S. equity transactions to Fortrend Securities's U.S.-based clearing firm, on a fully-disclosed basis, on behalf of Australian customers.

Respondent has no relevant disciplinary history.

OVERVIEW

From August 2011 through July 2012, Fortrend Securities charged 15 customers unreasonable amounts for ACAT (Automated Customer Account Transfer) account transfers in violation of NASD Rule 2430 and FINRA Rule 2010.

In addition, from November 2012 through September 2014, Fortrend Securities allowed its Australian affiliate to process and hold customer checks for a longer period than is

permitted by its claimed exemption from the Customer Protection Rule. Consequently, during this time period, Fortrend Securities failed to maintain accurate net capital calculations and filed FOCUS Reports that inaccurately reported Fortrend's net capital and required minimum net capital. As a result, Fortrend Securities violated Securities Exchange Act Rules 15c3-3, 17a-3(a)(11), and 17a-5, as well as FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Unreasonable ACAT Fees

NASD Rule 2430 requires that charges, if any, for services provided to customers, including the transfer of customer accounts, shall be reasonable and not unfairly discriminatory between customers. Additionally, FINRA has repeatedly emphasized to member firms its concern about charging fees unrelated to actual costs for account transfers via ACAT.

From August 2011 to July 2012, Fortrend Securities charged 15 customers \$250 for ACAT transfers and reaped approximately \$190 in profits on each transfer. In light of the amount charged by Fortrend Securities' clearing firm for ACAT transfers and average ACAT fees charged by other industry participants, the amount charged to these 15 customers by Fortrend Securities for ACAT transfers was unreasonable. As a result of the foregoing conduct, Fortrend Securities violated NASD Rule 2430 and FINRA Rule 2010.

Violation of Claimed Exemption from the Customer Protection Rule and Related Net Capital Violations

Securities Exchange Act Rule 15c3-1 (the "Net Capital Rule") requires a broker-dealer that receives or holds funds or securities for customers to maintain net capital of at least \$250,000. Additionally, Securities Exchange Act Rule 15c3-3 (the "Customer Protection Rule") sets forth certain requirements for a firm that, among other things, holds customer funds. Section (k)(2)(ii) of the Customer Protection Rule offers an exemption from the Customer Protection Rule for an introducing broker or dealer who, among other things, "promptly transmits" all customer funds and securities to its clearing firm.

From November 2012 through September 2014, Fortrend Securities claimed to operate pursuant to a \$100,000 minimum net capital requirement and the (k)(2)(ii) exemption from the Customer Protection Rule. During most of this time period, however, Fortrend Securities allowed its Australian affiliate to process and hold checks and securities for Fortrend Securities' customers (which customers were also customers of the Australian affiliate) and, in limited instances, these checks and securities were not promptly transmitted to Fortrend Securities' clearing firm. As a result, Fortrend Securities was not operating in compliance with its claimed exemption from the Customer Protection Rule and was subject to a \$250,000 minimum net capital requirement.

Additionally, Securities Exchange Act Rule 17a-3(a)(11) mandates that member firms maintain an accurate record of net capital computations. Securities Exchange Act Rule 17a-5(a) further requires member firms to submit FOCUS reports containing net capital calculations and statements of required minimum net capital.

As a result of its ineligibility for its claimed (k)(2)(ii) exemption from the Customer Protection Rule, Fortrend Securities failed to maintain accurate records of net capital computations and submitted FOCUS reports that inaccurately reported Fortrend Securities' net capital and required minimum net capital.

Based on the foregoing, Fortrend Securities violated Securities Exchange Act Rules 15c3-3, 17a-3(a)(11) and 17a-5, as well as FINRA Rule 2010.

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

- \$15,000 fine; and
- Censure

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 Respondent 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.

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

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 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.

Respondent further 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 Respondent; 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 Respondent;
 - 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 Respondent's: (i) testimonial obligations; or (ii)

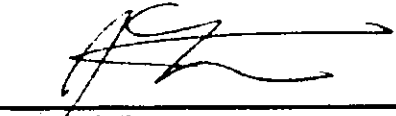
right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- 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.

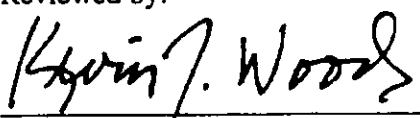
The undersigned, on behalf of Fortrend Securities, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent agrees to this AWC's provisions voluntarily; 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 Fortrend Securities to submit it.

Date: 09/15/2016
(mm/dd/yyyy)

FORTREND SECURITIES INC.


By: Joseph Forster,
CEO of Fortrend Securities, Inc.

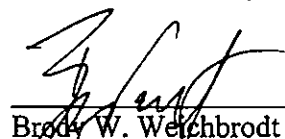
Reviewed by:


Kevin Woods, Esq.
Counsel for Respondent
White Woods LLP
235 Montgomery Street, Suite 460
San Francisco, California 94104
(415) 231-5711

Accepted by FINRA:

Oct. 12, 2016
Date

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



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