

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015045780901**

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

RE: Halifax America, LLC, Respondent
CRD No. 172567

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Halifax America, LLC, 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 Halifax America alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Halifax America 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

Halifax America is headquartered in Sherman Oaks, California, and has been a FINRA member firm since May 2015. The firm employs four registered representatives. The firm has no relevant disciplinary history.

OVERVIEW

Between December 2014 and May 2015, Halifax America made misleading statements to FINRA in connection with its application for registration as a new FINRA member in violation of FINRA Rules 1122 and 2010. Between May and October 2015, Halifax America permitted an unregistered person to engage in securities activities requiring registration in violation of NASD Rule 1031 and FINRA Rule 2010. During January and February 2016, Halifax America made two payments totaling approximately \$4,460 to an unregistered entity in violation of FINRA Rules 2040 and 2010. Between October 2015 and February 2016, Halifax America failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures, reasonably designed to review the trading activity in customer accounts in violation of FINRA Rules 3110 and 2010.

Between May and November 2015, Halifax America failed to establish, document, and maintain a reasonable Customer Identification Program in violation of FINRA Rules 3310 and 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA identified the violations described below as the result of a routine cycle examination of Halifax America.

Halifax America Made Misleading Statements During the New Member Application Process

FINRA Rule 1122 provides that “[n]o member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof.” A violation of FINRA Rule 1122 also constitutes a violation of FINRA Rule 2010.

In October 2014, Halifax America applied for registration as a FINRA member. As part of the application process, the firm submitted a letter to FINRA’s Member Application (“MAP”) group in December 2014, stating, among other things, “Halifax [America] does not intend to conduct business activities with any of its affiliates.” In February 2015, during an interview with the MAP group, a representative of the firm stated that the firm did not anticipate any changes to its planned business activities during its first year of business. In May 2015, Halifax America was approved as a FINRA member.

Despite the firm’s representation that it did not intend to conduct business activities with any of its affiliates, the firm knew that it intended to rely upon, and had made arrangements for, an affiliate entity to solicit and refer prospective customers to the firm in exchange for compensation. Further, the firm relied upon that affiliate entity to solicit prospective customers between at least February and October 2015.

By virtue of the foregoing, Halifax America violated FINRA Rules 1122 and 2010.

Halifax America Permitted an Unregistered Person to Engage in the Securities Business and Made Two Payments to an Unregistered Entity

NASD Rule 1031(a) requires all persons engaged or to be engaged in the securities business of a member to be registered in the “category of registration appropriate to the function to be performed.” Activities that require registration include soliciting prospective customers. Permitting an unregistered person to engage in securities activities requiring registration is a violation of NASD Rule

1031. A violation of NASD Rule 1031 also constitutes a violation of FINRA Rule 2010.

FINRA Rule 2040 prohibits member firms from paying fees that are based on securities transactions, including commissions, to entities that are not registered as broker-dealers. A violation of FINRA Rule 2040 also constitutes a violation of FINRA Rule 2010.

Between May and October 2015, based on an arrangement between Halifax America and an unregistered affiliate entity, Halifax America permitted an unregistered individual associated with the unregistered affiliate entity to engage in securities business to the firm's benefit by soliciting firm customers. This activity required registration. Nonetheless, the firm failed to register the individual who was soliciting customers on its behalf.

Based on the arrangement between Halifax America and the unregistered affiliate entity, Halifax America agreed to pay the unregistered affiliate entity 90% of the commissions it received from accounts opened through introductions made by the unregistered individual. In accordance with that arrangement, in January and February 2016, Halifax America made two payments to the unregistered affiliate entity totaling approximately \$4,460.

By virtue of the foregoing, Halifax America violated NASD Rule 1031 and FINRA Rules 2040 and 2010.

Halifax America Failed to Establish and Maintain a Supervisory System Reasonably Designed for the Review of Customer Account Activity

FINRA Rule 3110(a) requires member firms to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable FINRA rules. FINRA Rule 3110(b) requires member firms to establish, maintain, and enforce written procedures to supervise the types of business in which they engage. A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010.

Between October 2015 and February 2016, the firm's written supervisory procedures ("WSPs") required a principal to conduct a quarterly review of transactions "for: suitability . . . excessive size or frequency of trades (i.e. churning) . . . substantial trading profits or losses." The firm's actual review of transactions, however, was not consistent with the firm's WSPs or with its obligation to reasonably supervise the activities of its associated persons. The firm did not conduct quarterly reviews of transactions for suitability, excessive trading, and excessive commissions as required by the WSPs. The firm was therefore unable to assess whether the approximately 1,100 transactions in its nine customer accounts between October 2015 and February 2016 were unsuitable,

excessive, or resulted in excessive commissions. As a result of its failures, the firm failed to detect that five of its nine customers had annualized turnover ratios in excess of six, which was indicative of potentially excessive trading.

By virtue of the foregoing, Halifax America violated FINRA Rules 3110 and 2010.

***Halifax America Failed to Establish, Document, and Maintain
a Reasonable Customer Identification Program***

FINRA Rule 3310(b) requires each member firm to “[e]stablish and implement policies, procedures and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder.” The Bank Secrecy Act’s implementing regulations provide that “[a] broker-dealer must establish, document and maintain a written Customer Identification Program (‘CIP’) appropriate for its size and business” and that the CIP must contain “procedures for verifying the identity of each customer to the extent reasonable and practicable.”¹ A violation of FINRA Rule 3310 also constitutes a violation of FINRA Rule 2010.

Between at least May and November 2015, Halifax America intended to rely on its clearing firm to maintain a CIP on its behalf. In order for Halifax America to properly rely on its clearing firm to do so, however, it was required by the Bank Secrecy Act’s implementing regulations to receive an annual certification from the clearing firm that it would do so.² Halifax America did not receive such a certification and, as a result, was required to establish, document, and maintain a CIP independently; it failed to do so. As a result, in six instances, Halifax America did not conduct reasonable verification of its customers’ identities.

By virtue of the foregoing, Halifax America violated FINRA Rules 3310 and 2010.

B. Halifax America also consents to the imposition of the following sanctions:

- Censure and a \$60,000 fine.

Halifax America agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Halifax America has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

¹ 31 CFR 1023.220(a)(1) and (a)(2). (Customer identification programs for broker-dealers).

² See 31 CFR 1023.220(a)(6) (Reliance on another financial institution).

Halifax America 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

Halifax America 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, Halifax America 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.

Halifax America 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

Halifax America 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 Halifax America; and
- C. If accepted:
 - 1. this AWC will become part of Halifax America'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. Halifax America 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. Halifax America 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 Halifax America'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. Halifax America may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Halifax America 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 Halifax America, certifies that a person duly authorized to act on its 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 Halifax America 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 Halifax America to submit it.

01/07/2019

Date (mm/dd/yyyy)


Halifax America, LLC
Respondent

By: Devin Brady

Accepted by FINRA:

03/06/2019

Date

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


Robert Kennedy, Principal Counsel
FINRA Department of Enforcement
300 S. Grand Avenue, Suite 1600
Los Angeles, CA 90071
Phone: (213) 613-2601
Fax: (202) 721-8393
Robert.Kennedy@finra.org