

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015047215401**

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

RE: Bruce Martin Zipper, Respondent
Former General Securities Principal
CRD No. 1019731

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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

From 1981 through October 2, 2017, Zipper was registered through associations with numerous FINRA members in several capacities: General Securities Representative (Series 7), Registered Options Principal (Series 4), General Securities Principal (Series 24), Financial and Operations Principal (Series 27) and State Agent (Series 63). Zipper became associated in August 2004 with Dakota Securities International, Inc. ("Dakota" or the "Firm"), and served as the President, CCO, and AMLCO, as well as General Securities Principal and FINOP. On October 2, 2017, Zipper's association with Dakota was terminated.

Although Zipper is no longer registered or associated with a FINRA member firm, pursuant to Article V, Section 4 of FINRA's By-Laws, he remains subject to FINRA's jurisdiction.

RELEVANT DISCIPLINARY HISTORY

On April 22, 2016, Zipper entered into a Letter of Acceptance, Waiver & Consent ("AWC") in Matter No. 2013035303301, consenting to the entry of FINRA's

findings that he failed to preserve and maintain business-related electronic communications and to establish an adequate supervisory system to ensure that business-related electronic communications were subject to retention and supervision. Zipper consented to a one-month suspension from association with any FINRA member in all principal capacities and a \$10,000 fine.

Also on April 22, 2016, Zipper entered into an AWC in Matter No. 2015046512101, consenting to the entry of FINRA's findings that he willfully failed to timely amend his Uniform Application for Securities Industry Registration and Transfer to disclose unsatisfied judgments against him in contravention of Article V, Section of FINRA By-Laws and in violation of FINRA Rules 1122 and 2010. Zipper consented to a three-month suspension from association with an FINRA member in all capacities and a \$5,000 fine.

On November 24, 2009, the Florida Office of Financial Regulation entered into a Stipulation and Consent Agreement with Dakota and Zipper. Dakota and Zipper were jointly and severally fined \$5,000 and required to amend Dakota's written supervisory procedures to comply with the independent anti-money laundering testing requirements pursuant to NASD Rule 3011. The Florida Office of Financial Regulation found that Dakota and Zipper failed to provide independent testing of Dakota's anti-money laundering compliance program.

On November 17, 1995, in matter 0430A-S-5/09, the Florida Department of Banking and Finance entered into a Stipulation and Consent Agreement, in which Zipper was fined \$1,000 for violating the terms of his registration agreement, failing to timely notify the Department of an action by the National Association of Securities Dealers (NASD), and failing to satisfy margin deficiencies in accordance with applicable regulations.

On October 31, 1994, in matter C07910138, the NASD imposed a censure, \$5,000 fine and five-day suspension for Zipper's failure to honor an arbitration award. On April 17, 1995, the U.S. Securities and Exchange Commission (SEC) sustained the sanctions.

In addition, on January 27, 1989, in ATL-1004, the NASD accepted an Offer of Settlement in which Zipper was censured and fined \$1,000, jointly and severally with Vanguard Securities, for effecting transactions in non-exempt securities while failing to maintain sufficient net capital to conduct a securities business.

OVERVIEW

From September 2013 through November 2015 (the "Relevant Period"), Zipper, Dakota's President, CCO, and AMLCO, failed to implement and enforce a reasonable anti-money laundering ("AML") program, in violation of FINRA Rule 3310(a) and (b) and FINRA Rule 2010. During the Relevant Period, affiliates of one of Dakota's owners in Venezuela and Panama engaged in trading

with Dakota and each other that presented Zipper with red flags of suspicious activity. Zipper, however, failed to address those red flags. In addition, in 2013 and 2014, Zipper failed to ensure that there was independent testing of the Firm's AML system, in violation of FINRA Rule 3310(c) and FINRA Rule 2010. Further, Zipper failed to implement an employee AML training program during the Relevant Period for Dakota's Caracas branch office in violation of FINRA Rule 3310(e) and FINRA Rule 2010.

Zipper also failed to establish and maintain a system, including written procedures, reasonably designed to supervise the Firm's Caracas branch office or the Firm's foreign bond business, in violation of NASD Rules 3010(a) and (b) and FINRA Rules 3110(a) and (b) and 2010. Additionally, he failed to register Dakota's Caracas branch office and its Brickell Avenue office of supervisory jurisdiction with FINRA, in violation of Article IV, Section 8(a) and (b) of FINRA's By-Laws, NASD Rule 3010(a)(3) and FINRA Rules 3110(a)(3) and 2010. Zipper also failed to inspect the Caracas branch office in violation of NASD Rule 3010(c)(1)(B) and FINRA Rule 3110(c)(1)(B) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

A. Money Laundering Risks Associated with Venezuela

During the Relevant Period, the Venezuelan government, to control capital leaving its country, restricted the way Venezuelan firms and citizens could exchange Venezuelan bolivars for other currency, such as U.S. dollars, and restricted the movement of U.S. dollars into and out of Venezuela. From approximately June 9, 2010 through March 18, 2013, the Venezuelan government instituted a series of currency exchange programs called *Sistema de Transacciones con Titulos en Moneda Extranjera* ("SITME"), *Sistema Complementario de Administracion de Divisas* ("SICAD") and *Sistema Cambiario Alternativo de Divisas* ("SICAD II"). The Venezuelan government subjected transactions under these regimes to various requirements and limitations, which led to a black market for currency exchanges. The transactions made under these regimes frequently involved U.S. dollar-denominated bonds, often issued by Petroteos de Venezuela S.A. ("PDVSA"), a Venezuelan government-owned oil company. As described below, Dakota customers transacted heavily in PDVSA bonds during the Relevant Period.

According to the U.S. State Department, throughout the Relevant Period, Venezuela was a "Jurisdiction of Primary Concern" Every year, U.S. officials from agencies with AML responsibilities assess the money laundering situations in 200 jurisdictions, including steps to address financial crime and money laundering, and each jurisdiction's vulnerability to money laundering. The U.S. Department of State designated Venezuela as a Jurisdiction of Primary Concern in part because of its weak AML enforcement and because its multi-

tiered foreign exchange system and strict price controls create numerous opportunities for currency and goods arbitrage, including to facilitate money laundering.

B. Zipper Failed to Establish and Implement a Reasonable AML Program

FINRA Rule 3310(a) and (b) require each FINRA member to “develop and implement a written anti-money laundering program reasonably designed to achieve and monitor the member’s compliance with the requirements of the Bank Secrecy Act ... and the implementing regulations promulgated thereunder by the Department of the Treasury.” Failure to tailor a firm’s AML procedures to its business and customer base, and failure to monitor, analyze and investigate certain red flags of suspicious activity, violates FINRA Rules 3310(a) and (b) and 2010. The Firm’s written supervisory procedures (“WSPs”), identified Zipper, the CCO and AMLCO, as the individual with the responsibility to develop and implement an AML program to satisfy these rules.

In 2013, Zipper caused Dakota to sell a significant ownership interest in Dakota to a company that was solely owned by CF, a Venezuelan citizen who also owned several Venezuelan entities including a broker-dealer and an investment bank. CF made clear to Zipper that the purchase of his interest in Dakota was intended to shift the Firm’s business from a retail business to institutional sales and trading, primarily in foreign sovereign debt. To achieve that goal, in September 2013, with Zipper’s knowledge and assistance, CF caused Dakota to open and staff a new Dakota branch office in Caracas, Venezuela.

By November 2013, the Firm’s primary business shifted from domestic retail securities transactions, to transactions involving foreign sovereign debt. At the same time, the Firm’s customer base also shifted from domestic retail customers to primarily foreign institutional accounts. Over 90% of Dakota’s reported bond trades in 2014 were in bonds issued by PDVSA, including numerous, complex, trades among affiliates owned and controlled by CF, with no apparent economic rationale. For example, in many instances, Dakota participated in circular trading in which the Firm purchased PDVSA bonds from one of these affiliates, sold the bonds to another affiliate, purchased the bonds back from that same affiliate, and then sold the bonds on the market, all on the same day.

Zipper knew of the trading activity occurring through Dakota’s Caracas branch office, including the circular trading of PDVSA bonds through CF’s affiliates. Zipper, however, failed to take steps to ensure that he or anyone else at the Firm reasonably investigated these activities, including whether any such trades should have been reported as suspicious. Rather, Zipper unreasonably relied generally on assurances from unregistered individuals at the Caracas branch office and from CF, who had a personal stake in the transactions, that the trading at issue was not problematic. In addition, Zipper’s primary tool for reviewing and supervising the

trading activity of the Caracas branch office and its multinational customers was a manual review of the trade blotter. This tool was not reasonably designed to detect patterns of potentially suspicious activity that might occur over the course of days, weeks or months. As a result of Zipper's failure to develop and implement a reasonable AML program, the Firm did not subject any of the activity conducted through its Caracas branch office to further investigation or review, nor did the Firm consider whether to report such activity as suspicious.

By virtue of the foregoing, Zipper violated FINRA Rules 3310(a) and (b) and 2010.

C. Zipper Failed to Provide for Independent AML Testing

FINRA Rule 3310(c) requires introducing broker-dealers in their AML programs to provide for annual independent AML testing. The Firm's WSPs assigned Zipper, the AMLCO, with the responsibility to ensure such independent, annual testing was completed. Nevertheless, Zipper did not take any steps for Dakota to provide for independent AML testing for 2013 and 2014.

By virtue of the foregoing, Zipper violated FINRA Rules 3310(c) and 2010.

D. Zipper Failed to Implement an AML Training Program

FINRA Rule 3310(e) requires firms to "provide ongoing training for appropriate personnel." The Firm's WSPs assigned Zipper, the CCO and AMLCO, with the responsibility to ensure appropriate personnel received ongoing AML training. However, throughout the Relevant Period, the Firm failed to provide an AML training to its employees. Although the majority of Dakota's business consisted of affiliate trading of international bonds from the Caracas branch office, the Firm failed to provide its employees with AML training materials regarding the risks and red flags associated with this activity, including the risks of conducting business in Venezuela.

By virtue of the foregoing, Zipper violated FINRA Rules 3310(e) and 2010.

E. Zipper Failed to Supervise the Firm

NASD Rule 3010(a) and FINRA Rule 3110(a) (effective December 1, 2014) require members 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. NASD Rule 3010(b) and FINRA Rule 3110(b) (effective December 1, 2014) require members to maintain written supervisory procedures ("WSPs") to supervise the types of business in which the firm engages and activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations and FINRA rules. The Firm's WSPs assigned Zipper, the President and CCO, with the responsibility to establish and

maintain a reasonably designed supervisory system and WSPs, but he failed to do so.

First, Zipper failed to implement reasonable supervision of the Caracas branch office. He did not review or cause others to review customer orders or trade blotters to detect any sales practice or other violations, or potentially manipulative behavior, and failed to implement any reasonable procedures to detect potential sales practice violations or potentially manipulative behavior. He also did not ensure the reasonable review of available exception reports regarding, for example, outgoing or incoming wires, large trade reports, and non-U.S. accounts to detect potential sales practice violations, or potentially manipulative behavior. Instead, Zipper unreasonably relied on two individuals who were not registered as principals with FINRA – CF, and a friend of CF's, who held the title of head trader. Neither of those individuals reasonably supervised the Caracas branch office. Zipper knew these individuals were unqualified and not properly registered, and he did not provide them with any training, nor did he reasonably review their activity. As a result, Zipper failed to ensure that the Firm performed reasonable supervisory review of the registered representatives working in, or business activities conducted from, its Caracas branch office.

Second, Zipper did not ensure that Dakota's WSPs were reasonably designed to supervise the Firm's bond transactions. For example, the WSPs gave no guidance on how the Firm's principals should have reviewed bond transactions, or how the trading department should have priced bonds. Although the WSPs required approval from the Firm's trading desk manager prior to a bond order entry of \$1 million or more, the WSPs provided no guidance on the factors upon which the manager was to base review and approval. Likewise, the WSPs required that borrowed and loaned bonds be marked to market "using pricing from Dakota's trading department," but failed to describe any pricing process or supervision of that process. In addition, the WSPs failed to reasonably address potential conflicts of interest. The Firm's WSPs did not provide any guidance about how Firm principals were to supervise transactions among entities affiliated with each other and one of Dakota's owners.

By virtue of the foregoing, Zipper violated NASD Rule 3010(a) and (b), and FINRA Rules 3110(a) and (b) and 2010.

F. Zipper Failed to Register the Caracas Branch Office and the Brickell Avenue OSJ with FINRA

NASD Rule 3010(a)(3) and FINRA Rule 3110(a)(3) (effective December 1, 2014) require each firm's supervisory system to provide, at a minimum, for the registration and designation as a branch office or an office of supervisory jurisdiction of each location. Article IV Section 8 of FINRA's By-Laws likewise require member firms to register each branch office and within 30 days to advise FINRA of any opening, closing, relocation, change in designated supervisory, or

change in the designated activities of any branch office. The Firm's WSPs assigned Zipper, the President and CCO, with the responsibility to ensure that the Firm appropriately registered and disclosed its offices to FINRA. Dakota, however, never registered its Caracas location as a branch office or its Brickell Avenue location as an office of supervisory jurisdiction.

By virtue of the forgoing, Zipper violated Article IV, Section 8(a) and (b) of FINRA's By-Laws, NASD Rule 3010(a)(3) and FINRA Rules 3110(a)(3) and 2010.

G. Zipper Failed to Inspect the Caracas Branch Office

NASD Rule 3010(c)(1)(B) and FINRA Rule 3110(c)(1)(B) (effective December 1, 2014) require member firms to inspect each non-OSJ branch office location at least every three years. In establishing how often to inspect each non-supervisory branch office, firms must consider "whether the nature and complexity of the securities activities for which the location is responsible, the volume of business done at the location, and the number of associated persons assigned to the location require the non-supervisory branch office to be inspected more frequently than every three years." Moreover, a firm's WSPs must set forth the examination cycle and an explanation of the factors the firm used in determining the frequency of the examinations in the cycle. The Firm's WSPs assigned Zipper, the President and CCO, with the responsibility to ensure the Firm appropriately inspected its branch offices. However, Zipper failed to ensure that the Firm inspected the Caracas branch office, or set forth any examination schedule or criteria in its WSPs, despite the fact that the branch was new, was staffed by foreign associates in a foreign location, transacted in complex foreign bond trading unlike Dakota's historic securities business, and generated the bulk of the Firm's revenues.

By virtue of the forgoing, Zipper violated NASD Rule 3010(c) and FINRA Rules 3110(c) and 2010.

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

- A bar from association with any FINRA member firm in all principal capacities; and
- A \$5,000 fine.

The sanctions imposed herein shall be effective on a date set by FINRA staff. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

On January 23, 2017, Respondent was granted a discharge in bankruptcy under Section 727 of Title 11, United States Code. Additionally, Respondent has

submitted a sworn financial statement and demonstrated a limited ability to pay. In light of Respondent's financial status, a fine of \$5,000 has been imposed.

My limited ability to pay has been considered in connection with the monetary sanctions imposed in this matter. I specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The fine shall be due and payable either immediately upon reassociation with a member firm, 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 understand that if I am barred or suspended from associating with any FINRA member in a principal capacity, 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 a principal capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the bar, if I remain associated with a member firm in a non-barred capacity, an application to continue that association may be required.

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 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. 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.

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 understand and acknowledge that FINRA does not represent or advise me and I cannot rely on FINRA or FINRA staff members for legal

advice; 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.

12/9/2018
Date (mm/dd/yyyy)

Bruce Martin Zipper
Bruce Martin Zipper, Respondent

Accepted by FINRA:

02/14/2019
Date (mm/dd/yyyy)

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

Thomas Kuczajda
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