

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016049789602**

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

RE: Alexander L. Martin, Respondent
Registered Representative
CRD No. 2623934

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I, Alexander L. Martin ("Martin" or "Respondent"), 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

Martin entered the securities industry when he became associated with a member firm and registered with FINRA as a General Securities Representative in June 1995. Martin became registered as a General Securities Principal in February 1998. In August 2006, Martin joined CSSC Brokerage Services, Inc., where he was registered from August 2006 through June 2016 as a General Securities Principal. Since June 30, 2016, Martin has not associated with any member of FINRA, but he remains subject to FINRA's jurisdiction under Article V, Section 4 of FINRA's by-laws.

RELEVANT DISCIPLINARY HISTORY

Martin does not have any relevant disciplinary history.

OVERVIEW

During the period from November 2012 through March 2015, Martin, while serving as co-President of CSSC Brokerage Services, Inc. ("CSSC B/D"), failed

to reasonably supervise registered representatives selling two private offerings, including registered representative DS. DS lacked a reasonable basis for recommending the offerings to his customers, and caused two specific customers to over-concentrate their accounts in illiquid private offerings that were inconsistent with their investment objectives and risk tolerance. By virtue of the foregoing, Martin violated NASD Conduct Rule 3010 (for misconduct before December 1, 2014), FINRA Rule 3110 (for misconduct on or after December 1, 2014), and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

NASD Rule 3010 requires member firms (and their supervisory personnel) to establish and maintain a supervisory system to supervise the activities of each registered representative that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Rules.¹

FINRA Rule 2010 requires that member firms and associated persons “observe high standards of commercial honor and just and equitable principles of trade.” A violation of NASD Rule 3010 also constitutes a violation of FINRA Rule 2010.

As the co-President of CSSC B/D, Martin was responsible for ensuring that the Firm establish, maintain, and enforce a reasonable supervisory system as required by NASD Rule 3010 and FINRA Rule 3110.

CSSC, Inc.’s 2010 Bond Offering and 2014 Bridge Loan Offering

Beginning in May 2010, CSSC B/D registered representatives sold to customers two private offerings (the “Offerings”) issued by CSSC, Inc., the Parent Company (“Parent”) of Martin’s BD firm. The first Offering was a Convertible Debenture Bond Offering that opened May 10, 2010 (“the 2010 Bonds”). The 2010 Bonds had a five-year term and paid biannual interest of 8%. The second offering by the Parent comprised a Bridge Loan program offered in May 2014 (“2014 Loan Program”). The 2014 Loan Program offered promissory notes with a 12-month term and also paid an 8% interest at the end of the term, and gifted shares of stock in the Parent company.

From November 2012 through March 2015 (“Relevant Period”), registered representatives, including DS, sold these offerings to seven of his CSSC B/D customers.

Martin’s Failure to Supervise DS’s Unsuitable Recommendations of the CSSC, Inc. Private Offerings

During the Relevant Period, Martin was a principal and co-President of CSSC B/D, and was responsible for implementing supervisory systems to ensure

¹ Supervisory rule FINRA Rule 3110 replaced NASD Rule 3010 on December 1, 2014.

supervision of the conduct, including the sales practices of CSSC B/D registered representatives. Moreover, Respondent also served on the Board of Directors for the Parent, from 2009 through 2013. As a result, Respondent was acutely aware of the private offerings conducted by the Parent, was familiar with the unique risks associated with the 2010 Bonds and the 2014 Loan Program, and knew that CSSC B/D registered representatives, including DS, were soliciting customers to invest in these offerings.

Although Martin was a principal and co-President of CSSC B/D, and had supervisory responsibility over the sales activities of CSSC representatives, he did not supervise reasonably those activities related to the 2010 Bonds or the 2014 Loan Program. Martin was aware that the Firm's registered representatives, including DS, were recommending and selling the Offerings to their customers, but neither he, nor anyone else at CSSC B/D, supervised these sales activities or transactions. Martin assumed, without confirming, that compliance personnel of CSSC B/D were supervising DS's solicitations. This was not the case. Respondent himself did nothing to determine whether DS performed any due diligence on the Offerings prior to selling them to his customers, or had a proper understanding of the structure and potential risks of those investments. Furthermore, Respondent did not perform any review of customer account profile information, investment objectives, risk tolerances, liquidity needs or other related information with respect to DS's customers to assess the suitability of DS's recommendations – that those customers invest in the Offerings. Likewise, as DS continued to recommend that his customers make additional investments in the Offerings, Martin did not conduct any review to determine whether and to what extent DS's customers had become unsuitably over-concentrated in these illiquid investments.

As a result of Martin's supervisory failures, DS sold the 2010 Bonds and the 2014 Loan Program to seven of his CSSC B/D customers, without having a reasonable basis to believe that the Offerings were investments that were suitable for them.² For example, DS did not perform reasonable due diligence on either of the Offerings before recommending them to his customers. As a result, DS did not have an understanding of the potential risks and rewards associated with the Offerings, the financial condition of the Parent at the time he recommended the Offerings to his customers, or the illiquid nature of these investments. While DS may have accepted the representations of others related to certain attributes of the Offerings, he took no independent steps to verify those representations or otherwise investigate the truth of those representations. Likewise, DS also failed to consider the investment objectives, risk tolerance, liquidity needs and other profile information of his customers that was essential to determining that the Offerings were suitable for them at the time that he made those recommendations.

² Based on the conduct described herein, registered representative DS previously entered an AWC with FINRA, on September 29, 2017 (AWC No. 2016049789601). DS consented to violations of FINRA Rule 2111 and 2010 for making unsuitable recommendations. DS was suspended for six months, with no fine assessed based on demonstrated inability to pay.

Finally, DS failed to consider the size of investment in the Offerings for two of his customers, and recommended that they invest a significant percentage of their respective stated net worth in the risky and illiquid Offerings. While DS's customers who invested in the Bond Offering still hold their investments, interest payments ceased after May 2015. Similarly, when the Bridge Loan principal and interest payments were due to his customers in 2015, the Parent was unable to repay principal, and needed to negotiate new terms with DS's customers.

By reason of the foregoing, Respondent violated NASD Conduct Rule 3010 (for misconduct before December 1, 2014), FINRA Rule 3110 (for misconduct on or after December 1, 2014), and FINRA Rule 2010.

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

- A 20 business day suspension from association with any FINRA-registered firm in all principal capacities; and
- A fine of \$10,000.

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 any principal capacity, during the period of the suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the suspension, if I remain associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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 prejudice 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:

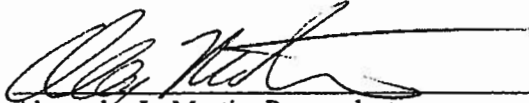
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will 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 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.

6-1-18
Date (mm/dd/yyyy)


Alexander L. Martin, Respondent

6/8/2018
Date (mm/dd/yyyy)

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


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