

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E072004006003

TO: Department of Enforcement
NASD

RE: Gryphon Financial Securities Corp., Respondent
Member
CRD No. 100420

Younis Zubchevich, Respondent
General Securities Principal
CRD No. 2164438

Pursuant to Rule 9216 of NASD Code of Procedure, we submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against us alleging violations based on the same factual findings.

We understand that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against us; and
3. If accepted:
 - a. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against us;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about our disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD



Rule 8310 and IM-8310-2; and

- d. We 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 allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects our testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

We also understand that my experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Gryphon Financial Securities Corp. became an NASD member in February 2000. The firm conducts a limited securities business, focusing on the private placement of securities. The firm has no relevant disciplinary history.

Younis Zubchevich entered the securities industry in about July 1991 and was first registered as a general securities representative of an NASD member in February 1992; he was first registered as a general securities principal of an NASD member in May 1999. Zubchevich has been registered with Gryphon Financial Securities Corp. since February 2000. He serves as the firm's president. He has no disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

We specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against us;
- B. To be notified of the Formal 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.



Further, we specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, 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.

We further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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.

II.

ACCEPTANCE AND CONSENT

- A. We hereby accept and consent, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD 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 NASD:
1. From 2000 through 2003, Gryphon Financial Securities Corp., acting through Younis Zubchevich, failed to prepare a written needs analysis and training plan for the firm element of the continuing education program, and failed to evidence that the training was executed and all covered persons attended. Such acts, practices and conduct violate NASD Rules 1120(b) and 2110.
 2. From about September 2002 through May 2004, Gryphon Financial Securities Corp., acting through Younis Zubchevich, failed to establish a bank escrow account to safeguard customer funds for three contingent private placement offerings. Further, they failed to maintain records reflecting the receipt and disbursement of customer funds. Such acts, practices and conduct violate Sections 15 and 17 of the Securities Exchange Act and Rule 15c2-4, 17a-3 and 17a-4 thereunder, and NASD Conduct Rules 3110 and 2110.
 3. Gryphon Financial Securities Corp. failed to establish anti-money laundering procedures by April 2002 as required by NASD Conduct Rule 3011. When it implemented anti-money laundering procedures in January 2004, the firm failed to develop and implement an anti-money laundering ("AML") program that was reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, *et. seq.*), and the implementing regulations promulgated thereunder by the Department of Treasury. Specifically,



among other ways, the firm's AML program was deficient in that the firm failed to have adequate procedures that: were approved in writing by senior management of the firm, designated and identified to NASD a person responsible for the anti-money laundering program, addressed responding to FINCEN requests for information, including protecting the confidentiality of the requests, and addressed opening of or maintenance of correspondent accounts for foreign banks. Further, the firm's customer identification program did not describe the non-documentary methods the firm would use for verification and the specific circumstances under which those methods must be used. Such acts, practices and conduct violate NASD Conduct Rules 3011 and 2110.

- B. We also consent to the imposition, at a maximum, of the following sanctions:

Respondent Gryphon Financial Securities Corp. is censured and fined \$17,500, of which \$12,500 is assessed jointly and severally with Respondent Zubchevich.

Respondent Younis Zubchevich is censured and, as noted above, fined \$12,500 jointly and severally with Gryphon Financial Securities Corp.

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

III.

OTHER MATTERS

- A. We understand that we may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we 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 NASD, nor does it reflect the views of NASD or its staff.
- B. We agree to pay any monetary sanctions imposed on us upon notice that this AWC has been accepted and that such payments are due and payable and have attached an Election of Payment form showing the method by which we propose to pay any fine imposed.
- C. We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.



We certify that we have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce us to submit it.

7-1-05
Date

Younis Zubchevich
Younis Zubchevich, individually, and
as president of Gryphon Financial
Securities Corp.

Reviewed by:

Counsel for Respondent

Accepted by NASD:

8/4/2005
Date

D. J. Stefek
Daniel J. Stefek, District Director
Atlanta District Office