FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019060991102

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

RE: BLV Securities (Respondent)
Member Firm
CRD No. 35205

Pursuant to FINRA Rule 9216, Respondent BLV Securities 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 in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

BLV Securities has been a FINRA member firm since 1994 and conducts a general securities business. BLV Securities has two registered representatives and one office, located in Wayne, Pennsylvania.[1]

OVERVIEW

From May 2018 through December 2019, BLV Securities failed to establish and implement anti-money laundering (AML) policies and procedures reasonably expected to detect and cause the reporting of suspicious activity, in violation of FINRA Rules 3310(a) and 2010. The firm also failed to conduct an independent AML test in 2019, in violation of FINRA Rules 3310(c) and 2010.

Additionally, from May 2018 to December 2018, BLV Securities opened customer accounts without obtaining the signature of a firm principal approving the accounts' opening. As a result, BLV Securities violated FINRA Rules 4512(a)(1)(D) and 2010.

[1] For more information about the firm, visit BrokerCheck® at www.finra.org/brokercheck.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's 2019 routine firm examination of BLV Securities.

BLV Securities failed to establish and implement an AML program reasonably expected to detect and cause the reporting of potentially suspicious activity.

FINRA Rule 3310 requires that each member firm develop and implement a written AML program reasonably designed to achieve and monitor the member's compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, *et seq*.) (BSA) and its implementing regulations. Rule 3310(a) further requires that each member firm "[e]stablish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under [the BSA] and implementing regulations." The regulations implementing the BSA, in turn, require every broker-dealer to file with the Financial Crimes Enforcement Network "a report of any suspicious transactions relevant to a possible violation of law or regulation."[2] A violation of FINRA Rule 3310 also is a violation of FINRA Rule 2010, which requires member firms to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

NASD Notice to Members (NTM) 02-21 provided detailed guidance to member firms about their obligation to monitor for and report potentially suspicious transactions. The Notice reminded firms of their duty to look for "red flags" suggestive of money laundering or other violative activity, and provided a non-exhaustive list of such red flags. The Notice also reminded firms that "the obligation to develop and implement an AML compliance program is not a 'one-size-fits-all' requirement . . . [and] each financial institution should . . . tailor its AML program to fit its business." In May 2019, FINRA published Regulatory Notice (RN) 19-18, reminding firms of their suspicious activity monitoring and reporting obligations and updating the list of red flags provided in NTM 02-21. RN 19-18 further explained that "[u]pon detection of red flags through monitoring, firms should consider whether additional investigation, customer due diligence measures or a SAR [suspicious activity report] filing may be warranted."

Prior to May 2018, the firm's business largely consisted of private placement-related work for domestic customers. In May 2018, following a change in majority ownership, the firm's business model shifted, and it began to service high-net worth international customers, many of whom were citizens or residents of jurisdictions that posed a heightened risk of money laundering or were considered bank secrecy havens. Many of the firm's customers also were personal investment vehicles organized under the laws of high-risk jurisdictions. Some of the firm's new customers had minimal account activity other than the transfer of funds or securities between their accounts at BLV Securities and accounts in high-risk jurisdictions.

BLV Securities failed to tailor its AML program to the firm's new, higher-risk business model. As described in BLV Securities' AML procedures—which the firm did not revise

[2] 31 C.F.R. § 1023.320.

following its change in business model—the primary tool employed by the firm when monitoring for potentially suspicious activity was a quarterly review of a random sample of the firm's customers' accounts. For the sampled accounts, the procedures required review of trading activity and deposits into (but not withdrawals from) those accounts during the prior quarter. The firm's AML procedures required that each quarter's AML review be documented on a form checklist document, which was a single page.

While utilizing this quarterly checklist process as its primary method of AML monitoring, the firm failed to detect or investigate red flags of suspicious activity in multiple customer accounts, including the following:

- Customer A, a Brazilian citizen, was arrested in Brazil in 2018 based on his alleged involvement in a wide-ranging public corruption and international money laundering scheme. After his arrest, which was reported in multiple Brazilian news sources, BLV Securities nonetheless permitted Customer A to open 13 accounts at the firm, either in his name or the name of an entity he owed.[3] In 2019, Customer A sought to wire $2.5 million from a personal account at BLV Securities to a bank account in his name in Panama. When a firm representative asked for additional details about the purpose of the transfer, Customer A responded by email, "[Y]ou got to be kidding me. Do I have to explain transferring money from my account to another same owner's account?" A day after that transfer, Brazilian authorities approved the equivalent of a plea agreement with Customer A, in which he admitted to participating in a money laundering scheme and agreed to pay a multi-million dollar fine. Approximately one month later (though in the same quarter), Customer A sought to transfer another $2.5 million out of his account at BLV Securities to an account in his name at a bank in the Cayman Islands, a high-risk jurisdiction, for purposes of "investment." Customer A's criminal background, the location of the recipient bank, and Customer A's resistance to providing requested information were red flags of suspicious activity according to the firm's AML procedures. However, neither transfer appeared on the firm's AML checklist for that quarter and the firm otherwise failed to perform an AML investigation concerning either transfer.

- Customer B is a personal investment vehicle organized in the Bahamas, beneficially owned by a Brazilian citizen who lives in the United States. Customer B's account at BLV Securities was opened in 2018, and funded through the deposit of several Brazilian corporate bonds with a total value of more than $12 million.[4] Notwithstanding the fact that the new account documents indicated an investment time horizon exceeding ten years, less than three months after opening the account, Customer B liquidated all of the bonds, transferred more than $12 million in proceeds to an account in the Bahamas in the name of Customer B's administrator, and asked to close the account. The customer represented to BLV Securities that the transfer of funds was to purchase a luxury property in New York City. Though this explanation was inconsistent with

[3] Eight of Customer A's accounts were opened without a principal's review and approval, as discussed below.
[4] Customer B's account was opened without a principal's review and approval, as discussed below.

[redacted]

Customer B wiring funds from the United States to the Bahamas, and was inconsistent with the contract for the purchase of the property that prohibited the use of funds from a foreign account, no one at BLV Securities inquired further. Pursuant to the firm's AML procedures, the deposit of securities, liquidation, and wiring out of proceeds within a short time frame, as well as activity inconsistent with the account's investment horizon, were red flags of suspicious activity. Customer B's account never appeared on the firm's AML checklist for any quarter and the firm otherwise failed to perform an AML investigation concerning the transfer.

Therefore, BLV Securities violated FINRA Rules 3310(a) and 2010.

BLV Securities failed to conduct an independent AML test in 2019.

FINRA Rule 3310(c) requires member firms that conduct business with the public to undertake annual independent testing of their AML programs.

In 2019, BLV Securities conducted a retail securities business and therefore was required to conduct an independent test to assess its AML compliance, including customer account activity associated with its new business model. The firm's independent AML test performed in 2018 only assessed the firm's AML program through March 31, 2018, when the firm's business model still focused on private placements sold to domestic customers. BLV Securities did not conduct another independent AML test until February 2020—and it did so only after prompting by FINRA staff. BLV Securities' belated annual test also did not evaluate essential aspects of the firm's AML program. The February 2020 independent AML test was unreasonable in that it failed to review customer account activity. As a result, the test failed to determine whether the firm was reasonably detecting, monitoring, and investigating potentially suspicious activity. The February 2020 independent AML test also failed to review the firm's AML training program.

Therefore, BLV Securities violated FINRA Rules 3310(c) and 2010.

BLV Securities opened customer accounts without obtaining the signature of a firm principal evidencing supervisory review and approval during the account opening process.

FINRA Rule 4512(a)(1)(D) requires that, for each account, the firm retain the "signature of the partner, officer, or manager denoting that the account has been accepted in accordance with the member's policies and procedures for acceptance of accounts." A violation of FINRA Rule 4512(a)(1)(D) also is a violation of FINRA Rule 2010.

From May 2018 to December 2018, the firm allowed representatives in its then-operational Miami, Florida branch to open new customer accounts—and allowed customers to trade in those accounts—without a firm principal signing the new account documents to evidence his or her approval for account opening. During this time,

approximately 80% of the new customer accounts sampled and reviewed by FINRA were opened without the signature of a firm principal.[5]

Therefore, BLV Securities violated FINRA Rules 4512(a)(1)(D) and 2010.

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

- a censure;
- a $20,000 fine[6]; and
- an undertaking that, within no later than 120 days of the date this AWC is accepted, a registered principal of BLV Securities shall certify in writing to FINRA that the firm has developed and implemented a written anti-money laundering program reasonably designed to achieve and monitor the firm's compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, *et seq.*), and the implementing regulations promulgated thereunder. This certification shall be submitted by letter addressed to Karen Daly, Principal Counsel, FINRA Enforcement, 1601 Market Street, 27th Floor, Philadelphia, PA 19103 and to karen.daly@finra.org.

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 it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 it;

B. To be notified of the complaint and have the opportunity to answer the allegations in writing;

[5] The firm identified and corrected this issue in December 2018.

[6] Pursuant to the General Principles Applicable to all Sanction Determinations contained in FINRA's *Sanction Guidelines*, FINRA imposed a lower fine in this case after it considered, among other things, Respondent's revenues and financial resources.

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, Respondent 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 its acceptance or rejection.

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 action 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 its subject matter 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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

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.

The undersigned, on behalf of Respondent, 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 has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

December 7, 2021

Date

Frank Mitchell

BLV Securities
Respondent

Print Name: Frank Mitchell

Title: CEO/MANAGER

Accepted by FINRA:

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

January 25, 2022

Karen Daly

Date

Karen C. Daly
Principal Counsel
FINRA
Department of Enforcement
1601 Market Street, 27th Floor
Philadelphia, PA 19103