Ms. Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC  20006-1506

Re: Request for Comment: Limited Corporate Financing Brokers
Regulatory Notice 14-09

Dear Ms. Asquith,

The AIW, LLC team comprised of experienced American Society of Appraisers and National Association of Certified Valuation Analysts, has conducted thousands of engagements for businesses across hundreds of Standard Industrial Classification and North American Industry Classification System codes for diverse purposes. AIW appreciates the opportunity to submit this comment letter on the proposed rule set for Limited Corporate Financing Broker (“LCFB”).

**Issue Statement**

As a whole, does the proposed rule, the SEC staff no-action letter issued to Faith Colish, et al., dated January 31, 2014, and Senate Bill 1923 (“the bill”); prevent a safe harbor for bad actors, money laundering or the funding of terrorism?

**Brief Answer**

No. The proposed rule for LCFB’s recognizes the need for a Client Identification Program (CIP) (rule 209) along with an Anti-Money Laundering Compliance Program (AML) (rule 331) but for “institutional investors” only.¹ Meanwhile, the SEC no-action letter and the bill provide a safe harbor for Private Placement transactions involving “accredited investors.” FINRA has established that they have “…uncovered serious concerns with the manner in which firms market and sell private placements to accredited investors.”² Together, the proposed rule, the SEC no-action letter, and the bill create a critical flaw in the oversight necessary to ensure the illegal and insidious activity of some unregulated, unlicensed, and unsupervised M&A Brokers do not receive a free pass. This flaw places our national security at risk.

¹ FINRA Regulatory Notice 14-09 Attachment A.
² Id. Pg 9.
Statement of Facts

According to BizBuySell, the largest marketplace for sale listings with inventory of over 45,000 businesses for sale, the transfer of securities is continuing, predicting approximately $10 trillion will be transferred. The majority will be in privately held stock in privately held businesses, giving criminals and terrorists’ opportunity if these transactions go unmonitored as proposed in the rule, the bill, and the SEC no-action letter. Such sales imply there will be gaps between regulatory rules and statutory requirements, creating fertile ground for money laundering, embezzlement, terrorist financing, public corruption, and racketeering. The U.S. Department of Treasury estimates as much as $15 to $20 million per year was laundered internationally to the Al Qaeda organization responsible for the September 11, 2001 attacks on the United States. Stanford School of Law reported an annual damage estimate of nearly $700 billion in 2007 due to civil securities fraud. The rules included in the Bank Secrecy Act of 1970 are tools to assist against AML and the funding of terrorism. The CIP and AML are now outlined under the “Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001” – the USA PATRIOT Act.

Unregistered M&A Brokers and other unregistered intermediaries will avoid scrutiny under the SEC no-action letter, the bill in current form, and the proposed rule. These unregistered individuals, in addition to forgoing any oversight, will be able to conduct business without having to follow AML procedures along with CIP, which is an integral part of AML.

CIP assists the U.S. Department of Treasury with fighting terrorism funding, combating money-laundering activities, and providing investor protection. Terrorists and criminals use money laundering and shell companies to receive and distribute illicit funds by purchasing all or substantially all of the assets of a business enterprise with cash. It is imperative that unregistered M&A Brokers be required to comply with CIP.

To disguise criminal or terrorist activity, criminals may merge or acquire businesses that might engage in legitimate transactions to establish credibility in the business community. Terrorists groups require significant assets to create and service the infrastructure of the group. Terrorists and criminals often use stolen or falsified identification to pay for their operations. This allows terrorists to avoid watch lists, assist in terrorist funding transactions and gain access to restricted areas. It is even easier to obscure intentions in transactions when CIP is not followed by the

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5 Association of Certified Fraud Examiners, Financial Institution Fraud 17 (2009).
7 Securities Fraud, 24 Fraud Mag. 57 (2009).
9 FINRA, Anti-Money Laundering Available at http://www.finra.org/Industry/Issues/AML/
12 Gartenstein, D., & Dabruzzi, K., The convergence of crime and terror: law enforcement opportunities and perils., Center for Policing Terrorism, (Mar. 26, 2007). Available at
unregistered M&A Broker. Enforcement agencies are aware that money laundering occurs in the private sector but there has been little reporting of money laundering and possible terrorist financing issues among the clients of private-sector business transactions.\(^{13}\)

**Discussion of Law**

I encourage staff to read cases involving M&A Brokers who deal with sophisticated or “accredited investors.”

*Matthew Smith Company, Inc. v. Donald Chill*

*United States Commodity Futures Trading Commission v. Hunter Wise Commodities…Fred Jager 9:12-cv-81311*

The Commodity Futures Trading Commission is uncovering and prosecuting those who break the law and is not granting safe harbors. For example see exhibit A.

**Conclusion**

Harry Markopolos, Certified Fraud Examiner, during his testimony before the Financial Services Subcommittee on Capital Markets said, “My team and I tried our best to get the SEC to investigate and shut down the Madoff Ponzi scheme with repeated and credible warnings.”\(^{14}\)

My first credible warning is an unregistered M&A Broker, engaged as an intermediary, with a safe harbor from oversight, is a disaster waiting to happen. LCFB and M&A Brokers should have the same qualifications and meet the same standards as a FINRA regulated investment banking representative, to include oversight. We have spent too much treasure and blood to allow rule sets excluding “accredited investors”, SEC no-action letters, and the bill to become law as it all creates safe harbors.

The solution is:

A. REGISTRATION BY NOTICE-FILING

B. EXAMINATION REQUIREMENTS

B. MONITORING PRIVATE PLACEMENTS

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\(^{14}\) *Chasing Madoff*, 23 Fraud Mag. 36 (2009).
Please contact me with any questions you may have about these comments.

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About the author:  

Over thirty years of combined experience in Financial Services and Law Enforcement, specializing in Criminology & Ethics, Financial Transactions & Fraud Schemes, Legal Elements of Fraud, and Fraud Investigation. Degrees and experiences are: Masters in Paralegal Studies, M.B.A., M.S. Administration of Justice, B.S. Criminal Justice, Certified Fraud Examiner (CFE) Deputy Provost Marshal U.S. Army, DOD Hostage Negotiation Course, Indiana State Police Academy, Adjunct Professor, General Securities Principal, Chief Compliance Officer, Registered Representative, Registered Investment Banker and Registered Investment Advisor, Series, 7, 24, 66, 79, 99, Insurance License, and Certified Business Intermediary (CBI).
WANTED
BY THE FBI

Failure to Surrender for Service of Sentence: Contempt of Court (Conspiracy to Commit Witness Tampering)

LUIS FERREIRA

Photographs taken in 2001
Photographs taken in 2010

Multimedia Images

Alleged:
Fernando Ferreira, Luis Alves, Luis Carlos de Almeida, Luis C. de Andrade, Luis Camilo de Almeida, Mike Tomy

DESCRIPTION

Date(s) of Birth Used: February 13, 1967
Place of Birth: Brazil
Height: 6’1”
Weight: 185 to 200 pounds
Hair: Brown
Eyes: Brown
Sex: Male
Occupation: Commodity Broker, Sales

Remarks:
Luiz Ferreira spoke Portuguese and English. Ferreira may have been living in South America, possibly in San Paulo, Brazil, or Rio de Janeiro, Brazil, since May 2011. Ferreira was married and opened an Internet business called Madison Five Export, LLC, doing business as L’Ecurie, and is likely still involved with that company.

CAUTION

Luiz Ferreira, a convicted felon, is wanted for failing to surrender to serve a sentence in Florida for conspiracy to commit witness tampering in connection with his involvement in a high-yield investment scam and defrauding individual investors.

From mid-2008 through 2010, Ferreira was one of the principal owners of three investment firms that operated out of Deerfield Beach, Florida, and solicited investments in precious metals. However, the investors were unable to liquidate their accounts and company executives concealed unauthorized transactions on their behalf. Throughout that time, Ferreira was an uninsured release in connection with a prior federal sentence and continued his involvement in those firms from authorities.

On November 30, 2010, Ferreira was indicted for obstruction of justice, making false statements and conspiracy to obstruct justice, and he was arrested on December 7, 2010.

In January 2011, Ferreira pled guilty to one count of conspiracy to commit witness tampering. On April 18, 2011, Ferreira was sentenced to 33 months in prison, followed by three years of supervised release. Ferreira was released after sentencing and was scheduled to appear in prison no later than August 25, 2011. Ferreira was given electronic monitoring with curfew, however, on or about May 19, 2011, Ferreira did not report home for curfew and a federal warrant was issued for his arrest.

On August 30, 2011, Ferreira failed to report to prison to begin serving his sentence. Ferreira was indicted again on September 1, 2011 by a Federal Grand Jury for the United States District Court, Southern District of Florida for failure to register as a convicted sex offender.

If you have any information concerning this person, please contact your local FBI office or the nearest American Embassy or Consulate.

http://www.fbi.gov/wanted/wcc/luis-ferreira/view

4/1/2014