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SEC Charges Broker-Dealer and AML Officer for Failing To File SARs Related To Pump-And-Dump Scheme

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On January 25, 2017, the Securities and Exchange Commission ("SEC") announced administrative proceedings against New York-based brokerage firm Windsor Street Capital ("the Firm") and its former Chief Compliance Officer ("COO") and anti-money laundering ("AML") officer John D. Telfer. The SEC alleged that (1) the Firm facilitated the unregistered sale of hundreds of millions of penny stock shares in violation of Section 5 of the Securities Act of 1933 (the "Securities Act") and (2) the Firm and Telfer failed to file Suspicious Activity Reports ("SARs") relating to suspicious stock sales on behalf of customers in violation of Section 17(a) and Rule 17a-8 of the Securities Exchange Act of 1934 (the "Exchange Act"). Also on January 25, the SEC separately charged two of the customers, Raymond H. Barton and William G. Goode, with conducting an illegal pump-anddump scheme. Andrew M. Calamari, Director of the SEC's New York Regional Office and Co-Chair of the
Enforcement Division's Broker-Dealer Task Force, stated that "when other brokerage firms were rejecting similar deposits by Barton and Goode, [the Firm] not only effectuated their illegal stock sales but then failed to report them as required by law."

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