

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014038889901**

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

RE: Cyrus M. Alphonse (CRD No. 5087583),
Respondent

Pursuant to FINRA Rule 9216 of FINRA’s Code of Procedure, I, Cyrus M. Alphonse (“Alphonse” 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

Alphonse first became registered with FINRA in February 2006 as a General Securities Representative through an association with Summer Street Research Partners (BD No. 127142) (“Summer Street” or the “Firm”). While at Summer Street, Alphonse was also registered as an Equity Trader Limited Representative, a General Securities Principal, a Limited Representative – Investment Banking, and an Operations Professional. Alphonse became the Firm’s Chief Compliance Officer in July 2011. Alphonse remained associated with Summer Street until March 2015. From March 2015 to August 2015, Alphonse was registered with FINRA through an association with another member firm.

Alphonse has not been registered or associated with a FINRA member firm since August 5, 2015, but he remains subject to FINRA’s jurisdiction pursuant to Article V, Section 4 of FINRA’s By-Laws.

RELEVANT DISCIPLINARY HISTORY

Alphonse has no relevant disciplinary history with the Securities and Exchange Commission, any self-regulatory organization, or any state securities regulator.

OVERVIEW

Alphonse failed to reasonably supervise the private securities transactions of Firm registered representative AS in violation of NASD Rules 3010 and 3040 and FINRA Rule 2010.

Alphonse violated NASD Membership and Registration Rule 1022(a)(5) and FINRA Rule 2010 by reviewing and approving research reports written by the Firm's research analysts even though he was not licensed to do so.

FACTS AND VIOLATIVE CONDUCT

Supervision of Private Securities Transactions

NASD Rule 3040(b) requires an associated person to provide his employer with written notice of private securities transactions before the transactions take place. NASD Rule 3040(c) provides that where an associated person has or may receive selling compensation, a firm must give written approval or disapproval of the associated person's participation in the proposed transactions. If the member approves such participation, "the transaction shall be recorded on the books and records of the member and the member shall supervise the person's participation in the transaction as if the transaction were executed on behalf of the member."

NASD Rule 3010(a) provides that "[e]ach member shall establish and maintain a system to supervise the activities of each registered representative ... and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules." NASD Conduct Rule 3010(b) requires firms to "establish, maintain, and enforce written procedures to supervise the types of business in which it engages."

FINRA Rule 2010 requires a member, in the conduct of his business, to observe high standards of commercial honor and just and equitable principles of trade.

On or about June 2010, AS disclosed as an "outside business" on his Form U4 his association with a private equity fund (the "Fund"). The Fund provided loans in the form of convertible notes to microcap issuers, receiving restricted shares upon conversion of these notes. Between October 2012 and April 2014, the Fund executed convertible notes with eighteen issuers. The Fund deposited the restricted shares that it received pursuant to these notes into – and then, once the restriction was removed, sold the shares through – an outside brokerage account not held at Summer Street. Between April 2013 and February 2014, the Fund sold more than two billion shares of these microcap issuers and received about \$1 million in proceeds. Alphonse knew about AS's involvement in the Fund and he knew that the Fund, once able, sold its restricted shares.

During this period, not only did the Firm's WSPs designate Alphonse as the principal responsible for reviewing and approving all representatives' private securities transactions, but the WSPs specifically stated that Alphonse was

responsible for reviewing AS's activities. Nevertheless, because Alphonse considered the Fund an "outside business activity" and not "private securities transactions," Summer Street and Alphonse did not supervise AS's participation in the Fund, and the Fund's transactions were not recorded on the Firm's books and records.

Accordingly, Alphonse violated NASD Rules 3040 and 3010 and FINRA Rule 2010.

Research Registration

NASD Membership and Registration Rule 1022(a)(5) provides that a person registered solely as a General Securities Principal, and who has not passed the relevant Qualification Examination, is not qualified to supervise the conduct of a Rule 1050 "research analyst" or a NYSE Rule 344 "supervisory analyst . . . who approves research reports on equity securities."

Alphonse reviewed and approved research reports written by Firm analysts. However, because he has never passed the relevant Qualification Examination, Alphonse was not qualified to do so. Accordingly, Alphonse violated NASD Rule 1022(a)(5) and FINRA Rule 2010.

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

- a suspension of two months from associating with any FINRA member firm in a principal capacity; 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 specifically and voluntarily waive any right to claim that I am unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

I understand that if I am 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 a 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 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 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; and
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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 or its staff.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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.

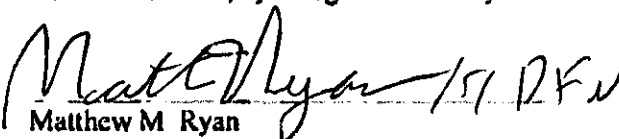
12/1/2016
Date (mm dd yy)


Cyrus M. Alphonse (CRD No. 5087583),
Respondent

Accepted by FINRA:

January 5, 2017
Date

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


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