

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 93065 / September 20, 2021

ADMINISTRATIVE PROCEEDING
File No. 3-20575

In the Matter of

REVERE SECURITIES, LLC
and OSEAS ZULUAGA,

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTIONS 15(b) AND 21C
OF THE SECURITIES EXCHANGE ACT
OF 1934, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS AND
A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Revere Securities, LLC (“Revere”) and Oseas Zuluaga (“Zuluaga”) (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant To Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

Summary

1. These proceedings arise out of the failure of Revere, while a registered broker-dealer, to include proprietary securities positions in its calculation of net capital. As a consequence, at certain times from January 2018 through April 2019 (the "relevant period"), Revere operated with a net capital deficiency and violated net capital reporting and books and records provisions. Zuluaga, Revere's Chief Financial Officer ("CFO") and Financial and Operations Principal ("FINOP"), was responsible for calculating Revere's net capital and caused Revere's violations by negligently failing to properly include Revere's proprietary securities positions in his calculations.

Respondents

2. **Revere** is a Delaware limited liability company based in New York, New York. Revere is, and at all times during the relevant period was, registered with the Commission as a broker-dealer. Revere is a fully disclosed introducing firm whose trades are cleared through another broker-dealer.

3. **Zuluaga**, age 47, lives in Woodside, New York. Zuluaga joined Revere as its CFO in November 2017 and became the firm's FINOP in January 2018. During the relevant period, Zuluaga held a Series 27 (FINOP) license. Prior to joining Revere, Zuluaga had been a FINOP since obtaining his Series 27 (FINOP) license in April 2004.

Background

A. The Net Capital Rule

4. Section 15(c)(3) of the Exchange Act prohibits a broker or dealer from, among other things, making use of the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any security in contravention of such rules and regulations as the Commission shall prescribe as necessary or appropriate in the public interest or for the protection of investors to provide safeguards with respect to the financial responsibility and related practices of brokers or dealers. Rule 15c3-1 promulgated thereunder (the "net capital rule") requires that a broker-dealer "at all times have and maintain net capital" no less than the greater of the highest minimum requirement applicable to its ratio requirement, or to any of its activities. The net capital rule requires different minimum amounts of net capital based on the nature of a firm's business (for example, whether the firm holds customer funds or securities), and the method a firm uses in computing its net capital. The rule is designed to require a broker-dealer to maintain sufficient liquid assets to meet all obligations to customers and have adequate additional resources to wind down its business in an orderly manner without the need for a formal proceeding if the firm fails financially.

5. In particular, the net capital rule requires that a broker-dealer perform two calculations: (i) a computation of the minimum amount of net capital the broker-dealer must maintain; and (ii) a computation of the amount of net capital the broker-dealer is maintaining. The minimum net capital requirement is the greater of a fixed-dollar amount specified in the net capital rule or an amount determined by applying one of two financial ratios. The minimum fixed-dollar amount for Revere during the relevant period was \$100,000.

6. To compute its net capital, a broker-dealer first calculates its net worth, and then makes certain adjustments set forth in the net capital rule. The resulting figure must be above the firm's required minimum net capital in order for the firm to comply with the net capital rule.

B. Revere's Erroneous Net Capital Calculations, Books and Records and Financial Reports

7. During the relevant period, Revere had proprietary trading accounts with its clearing broker through which it traded securities. Revere's proprietary trades were financed through a margin lending agreement with its clearing firm. During the relevant period, Revere's inventory positions ranged from approximately \$108,000 to approximately \$1.9 million.

8. The net capital rule required Revere, when calculating its net capital, to deduct unrealized losses in its proprietary trading accounts from the firm's net worth. Exchange Act Rule 15c3-1(c)(2)(i)(A). The net capital rule also required Revere to deduct specific percentages (or "haircuts") from the market value of securities in its proprietary trading accounts when calculating its net worth. Exchange Act Rule 15c3-1(c)(2)(vi)(A-M).

9. Revere did not include its proprietary positions in its net capital calculations and therefore failed to deduct unrealized losses and securities haircuts from its net worth as required by the net capital rule. These failures resulted in Revere significantly inflating its net capital. During the relevant period, Revere's current ledgers did not reflect these liabilities and Revere filed month-end FOCUS reports with the Commission representing that the firm had excess net capital. In fact, Revere was net capital deficient at month-end for 15 of the 16 months during the relevant period. These month-end deficiencies ranged from \$13,707 to \$290,600. During the relevant period, Revere conducted a securities business while net capital deficient. Revere also failed to give notice to the Commission of its net capital deficiencies as required by Exchange Act Rule 17a-11(b)(1).

C. Zuluaga Caused Revere's Erroneous Net Capital Calculations, Books and Records and Financial Reports

10. Zuluaga, as Revere's FINOP, was responsible for the calculation of Revere's net capital position and ensuring it met the minimum requirements set forth in the net capital rule. As set forth above, the net capital rule required him to include Revere's proprietary trading accounts in his calculations, and to make deductions for unrealized losses in those accounts and haircuts on the securities holdings in those accounts. Zuluaga neglected to include Revere's proprietary holdings in his calculation of Revere's net capital as required by the net capital rule. Additionally, the inaccurate net capital computation prepared by Zuluaga and resulting incorrect net capital position were recorded in Revere's books and records. Zuluaga also neglected to include Revere's proprietary holdings in Revere's FOCUS reports and failed to ensure that Revere gave notice to the Commission of Revere's net capital deficiencies.

11. Zuluaga knew, or should have known, that Revere's proprietary holdings should have been included in the calculation of Revere's net capital. Zuluaga had a series 27 (FINOP) license, and was the person responsible for calculating Revere's net capital. Prior to joining Revere, Zuluaga had been a FINOP since obtaining his Series 27 (FINOP) license in April 2004. The net capital rule specified adjustments to be made based on unrealized losses in the accounts of a broker-dealer and specified haircuts on the value of certain security holdings. Zuluaga also knew, or should have known, that the inaccurate net capital computation he prepared would be included in Revere's current ledger and FOCUS reports, and that Revere should have given notice to the Commission of Revere's net capital deficiencies.

Violations

12. As a result of the conduct described above, Revere willfully¹ violated Exchange Act Section 15(c)(3) and Rule 15c3-1 thereunder, which require broker-dealers to maintain minimum net capital while conducting a securities business, and Exchange Act Section 17(a)(1) and Rules 17a-3, 17a-5, and 17a-11 thereunder, which require broker-dealers to make and keep current certain books and records, and to make certain reports and filings with the Commission.

13. As a result of the conduct described above, Zuluaga caused Revere's violations of Exchange Act Sections 15(c)(3) and 17(a)(1), and Rules 15c3-1, 17a-3, 17a-5, and 17a-11 thereunder.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondents Revere and Zuluaga cease and desist from committing or causing any violations and any future violations of Exchange Act Sections 15(c)(3) and 17(a)(1), and Rules 15c3-1, 17a-3, 17a-5, and 17a-11 thereunder.

¹ "Willfully," for purposes of imposing relief under Section Section 15(b) of the Exchange Act, "means no more than that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tagerv. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term "willfully" for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has "willfully omit[ted]" material information from a required disclosure in violation of Section 207 of the Advisers Act).

B. Respondent Revere is censured.

C. Respondent Revere shall pay a civil money penalty in the amount of \$50,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). Payment shall be made in the following installments: \$25,000 shall be due within 10 days of entry of this order; \$6,250 shall be due within 90 days of entry of this order; \$6,250 shall be due within 180 days of entry of this order; \$6,250 shall be due within 270 days of entry of this order; and \$6,250 shall be due within 360 days of entry of this order. Payments shall be applied first to post-order interest, which accrues pursuant to 31 U.S.C. 3717. Prior to making the final payment set forth herein, Respondent Revere shall contact the staff of the Commission for the amount due. If Respondent Revere fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

Payment must be made in one of the following ways:

- (1) Respondent Revere may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent Revere may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent Revere may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Revere as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Sanjay Wadhwa, Senior Associate Regional Director, New York Regional Office, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, Suite 400, New York, NY 10281-1022.

D. Respondent Zuluaga shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$25,000.00 to the Securities and Exchange Commission for transfer

to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondent Zuluaga may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent Zuluaga may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent Zuluaga may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Zuluaga as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Sanjay Wadhwa, Senior Associate Regional Director, New York Regional Office, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, Suite 400, New York, NY 10281-1022.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payments of civil penalties in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against either Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent Zuluaga, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Zuluaga under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent Zuluaga of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary