

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT 1934
Release No. 67748 / August 29, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-14999

In the Matter of

ANGELICA AGUILERA,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE
PROCEEDINGS PURSUANT TO
SECTION 15(b) OF THE SECURITIES
EXCHANGE ACT OF 1934 AND NOTICE
OF HEARING**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Angelica Aguilera (“Respondent” or “Aguilera”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. Aguilera, age 46, resides in Boca Raton, Florida. From March 2004 until April 2010, Aguilera was a shareholder and Financial & Operations Principal of LatAm Investments Inc. (“LatAm”), a broker-dealer registered with the Commission. Beginning in October 2007, she served as President until the firm ceased operations in 2010. Aguilera has held Series 7, 24, and 27 licenses.

B. OTHER RELEVANT ENTITY AND INDIVIDUALS

2. LatAm is a Florida Limited Liability Company formed in 2004, which had its principal place of business in Miami, Florida. LatAm was registered as a broker-dealer in October 2004 under the name Acosta Financial Services, Inc., and changed its name to LatAm in October 2007. In January 2010, LatAm ceased trading operations. LatAm was a small broker-dealer, with only approximately 10 to 15 employees. In April 2010, LatAm filed a Form BD-W, withdrawing its registration with the SEC.

3. Fabrizio Neves, age 43, is a resident of Brazil. From approximately May 2006 until November 2009, Neves was a shareholder and registered representative associated with LatAm. During the relevant period, Neves held Series 7 and 66 licenses. In May 2010, FINRA barred Neves, by consent, from association with any FINRA member firm in any capacity.

4. Jose Luna, age 45, is a resident of Aventura, Florida. Neves brought Luna to LatAm in May 2006, where Luna worked as a back office operations employee. In May 2008, Luna obtained his Series 7 license and, thereafter, worked as Operations Manager at LatAm, assisting Neves in executing trades for his customers. Luna left LatAm in December 2009. In June 2010, FINRA barred Luna, by consent, from association with any FINRA member firm in any capacity.

C. OVERVIEW

5. This proceeding arises out of Aguilera's failure reasonably to supervise Neves and Luna at LatAm. From at least November 2006 through September 2009, Neves and Luna engaged in a fraudulent markup and markdown scheme to defraud two Brazilian public pension funds ("Brazilian Funds") and another foreign institutional customer in the offer, purchase and sale of structured notes.

6. Neves was the mastermind of the scheme and Luna assisted and participated in it with him. They charged excessive undisclosed markups and a markdown to these three customers ranging from 19 to 67 percent. Neves and Luna used offshore nominee accounts as intermediaries, and physically altered the original pricing information in the structured note term sheets transmitted to the customers' representatives to conceal their scheme.

7. Neves and Luna violated Section 17(a) of the Securities Act of 1933 ("Securities Act"), Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5, and willfully aided and abetted violations of Section 15(c)(1) of the Exchange Act by charging undisclosed excessive markups and a markdown to LatAm's customers in connection with the structured note transactions. As a result of Neves and Luna's misconduct, the Brazilian Funds and the other institutional investor paid approximately \$36 million more to purchase structured notes than LatAm paid the notes' issuers for them, \$29 million of which they paid during the period Aguilera supervised Neves and Luna.

8. Part of Neves and Luna's scheme, from October 2007 through September 2009, occurred while Aguilera was LatAm's President and was the immediate supervisor of Neves and Luna. Neves and Luna's fraudulent markup and markdown scheme included eight transactions between July 2008 and September 2009.

9. Aguilera did not prevent or detect Neves and Luna's fraudulent scheme due to Aguilera's failure to supervise Neves and Luna and her failure to effectively implement LatAm's policies and procedures in a manner that would reasonably be expected to prevent and detect undisclosed excessive markups and markdowns by its traders.

10. In particular, Aguilera failed to oversee Neves and Luna in connection with the markups and markdown on structured products charged to the Brazilian Funds and another foreign institutional customer. In addition, she failed to effectively implement LatAm's policies and procedures because the firm's chief compliance officer, to whom she delegated compliance responsibility to review markups and markdowns, lacked supervisory authority over Neves and Luna and could not take meaningful action to address any excessive markups and markdowns he detected. Moreover, Aguilera was aware that the chief compliance officer was not in the office on a regular basis and that he was deficient in his day to day compliance responsibilities. Aguilera failed to effectively delegate supervisory authority over Neves and Luna to anyone at LatAm and thus retained all supervisory responsibility for them. As a result, Aguilera failed reasonably to supervise Neves and Luna within the meaning of Section 15(b)(4)(E) as incorporated by Section 15(b)(6) of the Exchange Act.

D. BACKGROUND OF LATAM

11. In 2004, Aguilera and another individual (the "Part-Owner") formed LatAm as a small Miami-based broker-dealer. Although LatAm traded various types of securities, its primary business involved the trading of fixed income securities, including bonds, treasuries, and structured notes, on a riskless principal basis for customers, many of who were located in Latin America.

12. In May 2006, Neves joined LatAm as a registered representative and brought with him the customer accounts of the Brazilian Funds, which became the firm's largest customers and generated the vast majority of the firm's revenues through the trading of structured notes and other investments. Neves sought a majority ownership in LatAm, but he failed to pass the Series 24 examination, a requirement for assuming a controlling interest in the firm. However, based on an agreement between Aguilera, the Part-Owner and Neves, Neves received approximately 90% of the firm's commissions and determined the salaries for Aguilera and others.

13. After Neves joined the firm and began trading for the Brazilian Funds, LatAm reported a substantial increase in revenues. Before Neves was associated with the firm, LatAm generated revenues of only \$34,803 in 2005 and \$72,981 in the first quarter of 2006. After Neves joined LatAm, its revenues grew substantially to more than \$4 million for 2006.

14. LatAm's revenues continued to grow to nearly \$8 million in 2007 and \$13 million in

2008. From January and November 2009, LatAm's revenues nearly tripled to \$37 million, in large part due to structured note transactions for the Brazilian Funds and another institutional customer. In 2008 and 2009, more than half of the revenues generated by LatAm resulted from the markups and a markdown charged in the eight structured note transactions discussed below.

E. FRAUDULENT MARKUP SCHEME

15. Between July 2008 and September 2009, during the period Aguilera served as LatAm's President, Neves and Luna engaged in eight fraudulent transactions. For these eight transactions, Neves and Luna used accounts that they or their relatives or associates controlled as intermediaries in structured note transactions to generate undisclosed excessive markups, and in one transaction, an undisclosed excessive markdown.

16. In each of the transactions, Neves negotiated the structuring of the note with the commercial bank issuer on his customer's behalf. Once Neves finalized the terms of the notes, he purchased them into LatAm's riskless principal account. Thereafter, Neves directed Luna to fill out order tickets to trade seven of the notes with one or more offshore nominee accounts or accounts of their affiliates, who held the notes for short periods of time before selling the notes back to LatAm at a markup up price Neves selected.

17. The intermediary accounts Neves and Luna controlled or were associated with received windfall profits from the quick re-sale of the notes at marked up prices Neves set. Finally, Neves and Luna marked up the prices of the notes again, and arranged for one of the three customers to purchase the notes at prices between 19 and 67 percent over the prices at which the banks had issued the structured notes.

18. In one example, on July 6, 2009 Neves purchased a structured note with a \$10,000,000 par amount at a price of 37 percent of the notes' par amount. He purchased the note into LatAm's trading account. That same day, Neves and Luna executed the re-sale of the note to an offshore nominee account in the name of a company incorporated in the British Virgin Islands and registered in the name of Neves' mother-in-law. Neves controlled the account.

19. On July 24, 2009, Neves and Luna executed the re-sale of the July 6, 2009 note by the offshore nominee account to one of the Brazilian Funds at a price of 60 percent of par. In this transaction, the Brazilian Fund paid \$6,000,000 for the note, including a 62 percent markup of \$2,300,000. The offshore nominee account controlled by Neves profited by nearly \$1,300,000.

20. Neves and Luna used the offshore nominee account registered to Neves' mother-in-law as an intermediary in five of the eight structured note transactions. These five transactions involved \$37 million in structured notes issued between July and August 2009.

21. For each structured note transaction, Neves instructed the commercial bank issuer to provide Luna with a copy of the final term sheet. In six instances during the time period, Neves concealed his markup scheme by directing Luna to alter the original term sheets from the issuer by either inflating the original price or removing the pricing information altogether in

order to conceal the actual markup charged to the end customer. Neves told Luna what prices to use and approved the alterations before Luna sent them to the customer. Luna used “white out” or electronic “cut and paste” to change or omit the original term sheets’ pricing information.

22. As a result of the markup scheme, between July 2008 and September 2009, the Brazilian Funds and another other foreign institutional customer paid approximately \$29 million in undisclosed, excessive fees including markups, and in one instance, a markdown, between 19 and 67 percent.

F. AGUILERA FAILED REASONABLY TO SUPERVISE NEVES AND LUNA

23. Aguilera was LatAm’s President and served as the direct supervisor for Neves and Luna from October 2007 to September 2009. At the time, LatAm had only approximately 10 to 15 employees. Pursuant to LatAm’s supervisory policies and procedures, Aguilera maintained responsibility for the “hiring, registration and supervision of registered representatives,” including Neves and Luna. Additionally, as President, Aguilera maintained ultimate responsibility for developing and implementing the firm’s supervisory policies and procedures.

24. Aguilera failed reasonably to supervise Neves and Luna with a view to preventing and detecting their antifraud violations because she failed to effectively follow or implement LatAm’s policies and procedures to ensure the fairness of markups and markdowns charged by Neves and Luna to LatAm’s customers. LatAm’s supervisory policies and procedures required, among other things, a thorough review of trade blotters and an evaluation of the fairness of markups and markdowns charged to customers. As Neves and Luna’s direct supervisor, Aguilera was responsible for following this supervisory policy. However, she failed to take reasonable steps to conduct a thorough review of trade blotters or evaluate the fairness of markups and markdowns that Neves and Luna charged to LatAm’s customers.

25. While Aguilera maintained supervisory responsibility over Neves and Luna, she delegated compliance responsibility for reviewing markups and commissions to the firm’s chief compliance officer. That individual, however, lacked supervisory authority over Neves and Luna and therefore lacked the ability to reverse or correct questionable transactions.

26. Aguilera failed to effectively implement LatAm’s policies and procedures because: (1) the individual to whom she delegated compliance responsibility lacked the authority and ability to take meaningful action to address excessive markups and markdowns charged to LatAm’s customers by Neves and Luna; (2) even if the individual detected suspicious activity, he was required to report the activity to Aguilera; and (3) the individual did not have the authority and ability to take any disciplinary action against Neves or Luna. Moreover, Aguilera was aware that he was not in the office on a regular basis and that he was deficient in his day to day compliance responsibilities, including maintaining complete customer files.

27. Aguilera failed reasonably to follow or implement the firm’s supervisory policies and procedures with respect to monitoring the fairness of markups and markdowns charged by Neves and Luna and they were able to carry out the fraudulent markup scheme undetected.

28. Aguilera profited from Neves and Luna's fraudulent markup scheme in the form of bonus payments that Aguilera received based, in part, on profits generated from the scheme.

G. VIOLATIONS

29. As a result of the conduct described above, Neves and Luna willfully violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5, which prohibit fraudulent conduct in the purchase or sale of securities, and willfully aided and abetted LatAm's violations of Section 15(c)(1) of the Exchange Act, which prohibits a broker-dealer from using interstate facilities or the mails to effect or induce transactions in securities by means of any manipulative, deceptive, or other fraudulent device or contrivance.

30. As a result of the conduct described above, Aguilera failed reasonably to supervise Neves and Luna, within the meaning of Section 15(b)(4)(E) as incorporated by reference in Section 15(b)(6) of the Exchange Act, with a view to preventing and detecting their violations of the antifraud provisions of the securities laws.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act including, but not limited to, disgorgement with prejudgment interest and civil penalties pursuant to Section 21B of the Exchange Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him or her upon consideration of this Order, the allegations of which may be deemed to be true as

provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Elizabeth M. Murphy
Secretary