

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 68764 / January 30, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-13304

In the Matter of

**CentreInvest, Inc.,
OOO CentreInvest Securities,
Vladimir Chekholko,
William Herlyn,
Dan Rapoport, and
Svyatoslav Yenin,**

Respondents.

**ORDER MAKING FINDINGS AND
IMPOSING REMEDIAL
SANCTIONS AND A CEASE-AND-
DESIST ORDER PURSUANT TO
SECTIONS 15(b) AND 21C OF THE
SECURITIES EXCHANGE ACT OF
1934 AS TO DAN RAPOPORT**

I.

On December 8, 2008, the Securities and Exchange Commission (“Commission”) instituted public administrative and cease-and-desist proceedings pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against CentreInvest, Inc. (“CI-New York”), OOO CentreInvest Securities (“CI-Moscow”), Vladimir Chekholko, William Herlyn, Dan Rapoport (“Rapoport”) and Svyatoslav Yenin.

II.

In connection with these proceedings, Respondent Rapoport has 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 him and the subject matter of these proceedings, which are admitted, Rapoport consents to the entry of this Order Making Findings and Imposing Remedial Sanctions Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 as to Dan Rapoport (“Order”), as set forth below.

III.

On the basis of this Order and Rapoport's Offer, the Commission finds¹ that:

SUMMARY

1. These proceedings arise out of violations of the broker-dealer registration, reporting, and record-keeping requirements of the Exchange Act by CI-Moscow, a Moscow-based unregistered broker-dealer, and its New York-based affiliate, CI-New York, a registered broker-dealer. From 2004 through November 2007, CI-Moscow – directly and through CI-New York – solicited institutional investors in the United States to purchase and sell thinly-traded stocks of Russian companies, without registering as a broker-dealer as required by Section 15(a) of the Exchange Act or meeting the requirements for the exemption from registration for foreign broker-dealers under Exchange Act Rule 15a-6(a).

SETTLING RESPONDENT

2. **Dan Rapoport**, age 43, was, during the relevant period, a resident of Russia. He joined CI-Moscow in 1995. Rapoport relocated to New York and became a registered representative at CI-New York in January 1999. He served as CI-New York's managing director from January 2001 until November 2001. Rapoport returned to CI-Moscow, as a managing director, in 2003, and was later promoted to executive director. While at CI-Moscow, Rapoport was responsible for the brokerage operations at both CI-Moscow and CI-New York. CI-Moscow terminated his employment in February 2008. During portions of the relevant period, Rapoport held series 7, 24 and 63 licenses.

ENTITY RESPONDENTS

3. **OOO CentreInvest Securities** ("CI-Moscow") is a Moscow-based broker-dealer and limited liability company, specializing in the sale of second-tier Russian equities. During the relevant period, it was an affiliate of CI-New York. It was founded in 1992 under the laws of Russia and is regulated by the Russian Federal Financial Markets Service. CI-Moscow has never been registered with the Commission as a broker or dealer. On August 31, 2009, an administrative law judge issued an initial decision in these proceedings, finding that CI-Moscow violated Section 15(a) of the Exchange Act. That decision barred CI-Moscow from associating with any broker or dealers, imposed a cease-and-desist order, ordered disgorgement of \$2,400,000 (plus prejudgment interest) and assessed a civil penalty of \$1,275,000. The initial decision became the final decision of the Commission with respect to CI-Moscow on January 29, 2010.

4. **CentreInvest, Inc.** ("CI-New York") is a registered broker-dealer organized under the laws of New York State with its principal place of business in New York, New York. During

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

the relevant period, it was a subsidiary of Cyprus-based Intelsa Investments Limited. CI-New York first registered with the Commission on June 23, 1998, and during the relevant period, employed four to five full-time employees. On October 2, 2008, the Financial Industry Regulatory Authority, Inc. expelled CI-New York for failure to file a Financial and Operational Combined Uniform Single report. On July 31, 2009, an administrative law judge issued an Order Making Findings and Imposing Sanctions as to CI-New York. That order revoked the broker-dealer registration of CI-New York; ordered CI-New York to cease and desist from committing or causing any violations, or future violations of Sections 15(a) and 17(a) and Rules 15b3-1, 17a-4(b)(4), and 17a-4(j) of the Exchange Act; ordered the payment of disgorgement of \$441,972 (plus prejudgment interest); and imposed a civil monetary penalty of \$1,575,000.

CI-MOSCOW AND RAPOPORT ACTED AS A BROKER-DEALER BUT FAILED TO REGISTER OR COMPLY WITH AN EXEMPTION FROM REGISTRATION

5. From about 2003 until at least November 2007, CI-Moscow directly and indirectly solicited investors in the United States to purchase and sell thinly-traded stocks of Russian companies – so-called “second-tier” Russian companies – without registering as a broker-dealer, as required by Section 15(a) of the Exchange Act, or meeting the requirements for an exemption.

6. Under Rapoport’s direction, employees of CI-New York, regularly solicited U.S. institutional investors for the purchase and sale of Russian securities. Investors who expressed interest in a transaction were referred to CI-Moscow to complete the transaction.

7. In some cases, Rapoport and other employees of CI-Moscow, who were not licensed to sell securities under U.S. law or registered as brokers or dealers under U.S. law and were not exempt from such licensing and registration requirements, solicited U.S. investors directly.

8. Rapoport knew that any representative of CI-Moscow who solicited a U.S. investor would have to be licensed and registered with the Commission or an appropriate U.S. self-regulatory organization.

9. CI-New York failed to maintain proper records concerning CI-Moscow’s transactions with the U.S. investors.

10. Respondents, including Rapoport, benefited financially from CI-Moscow’s transactions in securities with or on behalf of U.S. investors. For example, in 2006 alone, CI-Moscow received at least \$928,000 in revenue as a result of its unlawful solicitation of U.S. institutional investors.

VIOLATIONS

11. Rule 15a-6 of the Exchange Act provides conditional exemptions from broker-dealer registration for foreign broker-dealers that engage in certain specified activities involving U.S. investors. Specifically, Rule 15a-6(a)(3) permits unregistered foreign broker-dealers to solicit

and effect transactions for some U.S. institutional investors through a registered broker-dealer intermediary subject to a number of conditions, including compliance by both the registered broker-dealer and foreign broker-dealer with certain reporting, record keeping and other requirements designed to ensure the protection of U.S. investors. Rule 15a-6(b)(3) defines a “foreign broker or dealer” as “any non-U.S. resident person (including any U.S. person engaged in business as a broker or dealer entirely outside the United States, except as otherwise permitted by this rule) that is not an office or branch of, or a natural person associated with, a registered broker-dealer, whose securities activities, if conducted in the U.S., would be described by the definition of “broker” or “dealer” in Sections 3(a)(4) or 3(a)(5) of the [Exchange] Act.” Section 3(a)(4) of the Exchange Act generally defines a “broker” to include any person “engaged in the business of effecting transactions in securities for the account of others,” with a limited exception for banks to the extent that they engage in certain types of bank activities. A person “effects transactions in securities” if he or she participates in such transactions “at key points in the chain of distribution.” Massachusetts Fin. Servs., Inc. v. Security Investor Protection Corp., 411 F. Sup. 411, 415 (D. Mass.), aff’d, 545 F. 2d 754 (1st Cir. 1976).

12. CI-Moscow and Rapoport failed to qualify for any exemption from registration.

13. As a result of the conduct described above, Rapoport willfully² violated Section 15(a) of the Exchange Act, which makes it illegal for a broker to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any security unless the broker is registered with the Commission or, in the case of a natural person, is associated with a registered broker or dealer.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Rapoport’s Offer.

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

A. Rapoport cease and desist from committing or causing violations and any future violations of Section 15(a) of the Exchange Act.

B. Rapoport be, and hereby is, barred from association with any broker or dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, and barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in

² A willful violation of the securities laws means merely “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.” *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (i) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (ii) any arbitration award related to the conduct that served as the basis for the Commission order; (iii) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (iv) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Rapoport shall pay disgorgement of \$22,084.75, prejudgment interest of \$7,317.65, and civil penalties of \$39,000, for a total of \$68,402.40, to the United States Treasury. Payment shall be made in the following installments: (i) \$22,800.80 shall be paid within five (5) business days following the date on which this Order is entered; (ii) \$22,800.80 shall be paid within 90 days following the date on which this Order is entered; and (iii) \$22,800.80 shall be paid within 180 days following the date on which this Order is entered. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of disgorgement, prejudgment interest, and civil penalties, plus any additional interest accrued pursuant to SEC Rule of Practice 600 or pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application. Payment must be made in one of the following ways:

(1) Respondent 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

(2) Respondent 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 Rapoport 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 Andrew M. Calamari, Regional Director, Securities and Exchange Commission, 3 World Financial Center, Suite 400, New York, NY, 10281.

By the Commission.

Elizabeth M. Murphy
Secretary