

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
December 8, 2008

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 INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTIONS 15(b) AND 21C
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 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 CentreInvest, Inc. (“CI-New York”), OOO CentreInvest Securities (“CI-Moscow”), Vladimir Chekholko (“Chekholko”), William Herlyn (“Herlyn”), Dan Rapoport (“Rapoport”), and Svyatoslav Yenin (“Yenin”).

II.

After an investigation, the Division of Enforcement alleges 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, its New York-based affiliate, CI-New York, a registered broker-dealer, and four associated individuals. From about 2003 through November 2007, CI-Moscow and its executive director Rapoport – directly and through CI-New York, Yenin, CI-New York’s managing director, FINOP and CFO, Chekholko, its head of sales, and Herlyn, its chief compliance officer – 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). In addition, Yenin and Herlyn were responsible for CI-New York's filing of Forms BD that failed to disclose CI-Moscow and Rapoport's control of CI-New York, or that the license of the CI-New York's parent company had been revoked by the Cyprus SEC, and Yenin was responsible for its failure to maintain business-related emails.

RESPONDENTS

2. **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.

3. **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 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. ("FINRA") expelled CI-New York for failure to file a Financial and Operational Combined Uniform Single ("FOCUS") report.

4. **Vladimir Chekholko**, age 48, is a resident of Forest Hills, New York, and holds Series 7, 24 and 55 licenses. From July 2004 to November 2007, he was the head of sales at CI-New York.

5. **William Herlyn**, age 40, is a resident of Westport, Connecticut, and holds Series 7, 24 and 63 licenses. He was employed by CI-New York from 2003 until October 2008. From June 2006 until October 2008, Herlyn held the title of chief compliance officer. For most of his tenure, Herlyn was also responsible for marketing CI-New York's fee-based research and soliciting U.S. institutional investors.

6. **Dan Rapoport**, age 40, is 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 apparently 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 the relevant period, Rapoport held series 7, 24 and 63 licenses.

7. **Svyatoslav ("Slava") Yenin**, age 36, is a resident of Russia. In about July 2003, he became the managing director, CFO and financial and operations principal ("FINOP") of CI-New York. He continued to hold these positions, even after moving to Russia in early 2006, until he left

CI-New York in about November 2007. During the relevant period, Yenin held series 7, 24, 27, 62, 68, 82 and 87 licenses.

OTHER RELEVANT ENTITIES

8. **Intelsa Investments Limited** (“Intelsa”), located in Cyprus, was, during the relevant period, the majority, if not sole, owner of CI-New York. On January 11, 2006 and May 29, 2006, respectively, the Cyprus Securities and Exchange Commission suspended and revoked Intelsa’s license.

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

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

10. Under Rapoport’s direction, employees of CI-New York, including Yenin, CI-New York’s managing director, FINOP and CFO, Chekholko, the firm’s head of sales, and Herlyn, its chief compliance officer, 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.

11. 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.

12. CI-New York failed to maintain virtually any records concerning CI-Moscow’s transactions with the U.S. investors.

13. In late 2003, Yenin learned from consultants to CI-New York that, in order for CI-Moscow to qualify for an exemption from registration pursuant to Rule 15a-6(a) of the Exchange Act, CI-New York would need to maintain, among other things, required books and records relating to the transactions with U.S. investors, including those required by Rules 17a-3 and 17a-4 under the Exchange Act.

14. At all relevant times, 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.

15. At some or all relevant times, Chekholko knew that he was referring investors to representatives of CI-Moscow who were neither licensed and registered with the Commission or

an appropriate U.S. self-regulatory organization, nor exempt from such licensing and registration requirements.

16. Respondents 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.

CI-NEW YORK FAILED TO DISCLOSE CI-MOSCOW'S AND RAPOPORT'S CONTROL

17. Throughout the relevant period, CI-New York was under the control of CI-Moscow and, in at least 2006 and 2007, Rapoport. CI-Moscow and Rapoport controlled CI-New York by, among other things, supervising and directing the staff of CI-New York and controlling its budget and finances. Indeed, CI-New York employees sometimes referred to Rapoport as their "boss" and to CI-Moscow as CI-New York's "parent broker-dealer."

18. CI-New York filed its initial Form BD on July 5, 1999 and subsequently filed numerous amendments. Form BD amendments, signed and filed by Herlyn or Yenin on behalf of CI-New York from October 1, 2003 through December 6, 2007, failed to disclose CI-Moscow's and Rapoport's control of CI-New York.

19. At the time Herlyn and Yenin signed these Form BD amendments, they knew that CI-Moscow and Rapoport controlled CI-New York by, among other things, supervising and directing the staff of CI-New York and controlling its budget and finances.

CI-NEW YORK FAILED TO DISCLOSE THE DISCIPLINARY ACTIONS AGAINST INTELSA

20. In Form BD amendments, signed and filed by Herlyn or Yenin on behalf of CI-New York, the firm inaccurately responded "No" to the question: "Has any other regulatory agency, any state regulatory agency or foreign financial regulatory authority: . . . ever denied, suspended, or revoked the applicant's or a control affiliate's registration or license or otherwise, by order, prevented it from associating with an investment-related business or restricted its activities?"

21. CI-New York should have answered that question "Yes" because the Cyprus Securities and Exchange Commission suspended the license of CI-New York's parent, Intelsa, on January 11, 2006 and revoked its license on May 26, 2006.

22. At the time that Herlyn and Yenin signed at least some of the Form BD amendments that failed to disclose the regulatory action against Intelsa by the Cyprus Securities and Exchange Commission, they knew, or at a minimum should have known, of that regulatory action and that Intelsa was a control affiliate.

CI-NEW YORK FAILED TO MAINTAIN BUSINESS-RELATED E-MAILS

23. In response to requests by the Commission staff, CI-New York failed to produce many records, including many business-related emails sent or received by Yenin and the individual who was CI-New York's president from 2004 until October 2006 and its chief compliance officer from August 2005 until October 2006.

24. CI-New York either failed to maintain these emails as required by Exchange Act Rule 17a-4(b)(4), or failed to produce them at the request of the staff as required by Exchange Act Rule 17a-4(j).

25. Yenin was responsible for CI-New York's record keeping, by virtue of his status as CI-New York's FINOP and under the terms of the firm's written supervisory procedures. Yenin knew, or at a minimum should have known, of the firm's failure to maintain business-related emails.

VIOLATIONS

26. Rule 15a-6(a) of the Exchange Act permits unregistered foreign broker-dealers to effect transactions for U.S. institutional investors in certain limited circumstances, subject to 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 defines a "broker" as any person, other than a bank, in certain circumstances, "engaged in the business of effecting transactions in securities for the account of others." 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).

27. As a result of the conduct described above, CI-Moscow and Rapoport willfully 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.

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

29. As a result of the conduct described above, CI-New York, Yenin and Chekholko willfully aided and abetted and caused CI-Moscow's violations of Section 15(a) of the Exchange Act.

30. As a result of the conduct described above, Herlyn caused CI-Moscow's violations of Section 15(a) of the Exchange Act.

31. Section 15(b)(1) of the Exchange Act and Rule 15b3-1 require all brokers or dealers applying for registration with the Commission to file a Form BD with the Commission and to correct any information in the Form BD if it is or becomes inaccurate for any reason. Section 17(a) of the Exchange Act requires registered brokers or dealers, among other things, "to make and disseminate such reports as the Commission, by rule, prescribes as necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of [the Exchange Act]." Among other things, Form BD requires registered brokers and dealers to disclose whether any person not identified as an owner or officer of the broker-dealer "directly or indirectly [has] control [over] the management or policies of the [broker-dealer] through agreement or otherwise." See, e.g., Alderman v. SEC, 104 F.3d 285, 287 n.1 (9th Cir. 1997). "[T]he correct disclosure of the . . . controlling persons of an applicant is more than a 'minor' point, indeed it is most important to the proper administration of the [Exchange] Act." Capital Funds, Inc. v. SEC, 348 F.2d 582, 588 (8th Cir. 1968). Form BD also requires registered broker-dealers to disclose whether any foreign financial regulatory authority has "ever denied, suspended, or revoked the applicant's or a control affiliate's registration or license or otherwise, by order, prevented it from associating with an investment-related business or restricted its activities."

32. As a result of the conduct described above, CI-New York willfully violated Section 17(a) of the Exchange Act and Rule 15b3-1 thereunder.

33. As a result of the conduct described above, Yenin and Herlyn willfully aided and abetted and caused CI-New York's violation of Section 17(a) of the Exchange Act and Rule 15b3-1 thereunder.

34. Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder require that every registered broker-dealer maintain copies of all business-related communications, including email correspondence. Specifically, Rule 17a-4(b)(4) requires that a registered broker-dealer "preserve for a period of not less than three years, the first two years in an easily accessible place . . . [o]riginals of all communications received and copies of all communications sent . . . (including inter-office memoranda and communications) relating to its business as such . . ." Rule 17a-4 is not, by its terms, limited to physical documents. The Commission has stated that internal e-mails relating to a broker-dealer's "business as such" fall within the purview of Rule 17a-4 and that, for the purposes of Rule 17a-4, "the content of the electronic communication is determinative" as to whether that communication is required to be retained and accessible. Reporting Requirements for Brokers or Dealers under the Securities Exchange Act of 1934, Rel. No. 34-38245 (Feb. 5, 1997); See also, e.g., Merrill Lynch, Pierce, Fenner & Smith Inc., Exchange Act Release No. 53473 (March 13, 2006). In addition, under Rule 17a-4(j), broker-dealers are required to "furnish promptly" to a representative of the Commission such legible, true and complete copies of records required to be preserved under Section 17(a) of the Exchange Act, as are requested by representatives of the Commission. See Merrill Lynch, *supra*.

35. As a result of the conduct described above, CI-New York willfully violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) or, in the alternative, Rule 17a-4(j) thereunder.

36. As a result of the conduct described above, Yenin willfully aided and abetted and caused CI-New York's violation of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder.

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 and cease-and-desist proceedings be instituted to determine:

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

B. What, if any, remedial action is appropriate in the public interest against Respondents CI-New York, CI-Moscow, Rapoport, Herlyn, Yenin and Chekholko, pursuant to Section 15(b) of the Exchange Act, including, but not limited to, an accounting, disgorgement and civil penalties pursuant to Section 21B of the Exchange Act;

C. Whether, pursuant to Section 21C of the Exchange Act, Respondents CI-Moscow, Rapoport and Chekholko should be ordered to cease and desist from committing or causing violations of and any future violations of Section 15(a) of the Exchange Act and whether Respondents CI-Moscow, Rapoport and Chekholko should be ordered to provide an accounting and pay disgorgement pursuant to Section 21C(e) of the Exchange Act.

D. Whether, pursuant to Section 21C of the Exchange Act, Respondent CI-New York should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 15(a) and 17(a) of the Exchange Act and Rules 15b3-1 and 17a-4(b)(4) or, in the alternative, Rule 17a-4(j), thereunder, and whether Respondent CI-New York should be ordered to provide an accounting and pay disgorgement pursuant to Section 21C(e) of the Exchange Act.

E. Whether, pursuant to Section 21C of the Exchange Act, Respondent Yenin should be ordered to cease and desist from committing or causing violations of and any future violations of Section 15(a) of the Exchange Act, and from causing violations of and any future violations of Section 17(a) of the Exchange Act and Rules 15b3-1 and 17a-4(b)(4), thereunder, and whether Respondent Yenin should be ordered to provide an accounting and pay disgorgement pursuant to Section 21C(e) of the Exchange Act.

F. Whether, pursuant to Section 21C of the Exchange Act Respondent Herlyn should be ordered to cease and desist from causing violations of and any future violations of Section 17(a) of the Exchange Act and Rule 15b3-1 thereunder, and whether Respondent Herlyn should be ordered to provide an accounting and pay disgorgement pursuant to Section 21C(e) 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 not earlier than 30 days and not later than 60 days from service of this Order 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 each 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 any 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 the Respondent 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 each Respondent personally, by certified mail or by any other means permitted by Rule 141(a)(2)(iv) of the Commission's Rules of Practice, 17 C.F.R. §§ 201.141(a)(2)(iv).

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.

Florence E. Harmon
Acting Secretary