

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20110300771-01**

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: Aegis Capital Corp., Respondent
Broker-Dealer
CRD No. 15007

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Aegis Capital Corp. (the "firm") submits 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 the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm hereby accepts and consents, 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

The firm has been a member of FINRA since July 20, 1984, and its registration remains in effect. The firm has no relevant prior disciplinary history.

SUMMARY

In connection with matter 20120339426, the Fixed Income section of the Department of Market Regulation ("Fixed Income staff") reviewed the firm's compliance with Trade Reporting and Compliance Engine ("TRACE") reporting requirements during the period from February 6, 2012 through June 30, 2012.

In connection with matter 20130359629, the Fixed Income staff reviewed the firm's compliance with TRACE reporting requirements during the period from October 1, 2012 through December 31, 2012.

In connection with matter 20120352310, the Order Audit Trail System ("OATS") section of the Department of Market Regulation ("OATS staff") reviewed the firm's compliance with OATS reporting requirements during the period from October 1, 2011 through December 31, 2012.

In connection with matter 20110300771, the Market Analysis section of the Department of Market Regulation ("Market Analysis staff") reviewed the firm's compliance with best execution requirements during the period from July 1, 2011 through September 30, 2011.

FACTS AND VIOLATIVE CONDUCT

20120339426

1. During the period from February 6, 2012 through June 30, 2012, the firm failed to report to TRACE 87 S1 inter-dealer transactions in TRACE-eligible securities that it was required to report. These non-reported inter-dealer transactions constituted 10.7 percent of the S1 inter-dealer transactions in TRACE-eligible securities (813) that the firm was required to report to TRACE. Additionally, the firm failed to report 96 S1 customer transactions in TRACE-eligible securities that it was required to report. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.
2. The firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning its monthly review of TRACE Report Cards. The conduct described in this paragraph constitutes violations of FINRA Rule 2010 and NASD Rule 3010.

20130359629

3. During the period from October 1, 2012 through December 31, 2012, the firm failed to report to TRACE 157 S1 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late reports represent 9.22 percent of the total number of S1 transactions that the firm was required to report to TRACE. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

20120352310

4. During the period from October 1, 2011 through December 31, 2012, the firm failed to report 8,245 Reportable Order Events ("ROEs") to OATS over the course of 306 business-days for its sponsored access client AEGC. These 8,245 ROEs represent 100 percent of the ROEs that AEGC was required to report to OATS. The conduct described in the paragraph constitutes separate and distinct violations of FINRA Rule 7450.
5. The firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning its daily review of OATS Report cards. The conduct described in this paragraph constitutes violations of FINRA Rule 2010 and NASD Rule 3010.

20110300771

6. During the period from July 1, 2011 through September 30, 2011, in 49 instances, the firm failed to use reasonable diligence to ascertain the best inter-dealer market, and in 31 of the 49 instances, failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under the prevailing market conditions. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2010 and FINRA Rule 5320 (for conduct on or after September 12, 2011), and NASD Rule 2111(a) (for conduct prior to September 12, 2011) and NASD Rule 2320.

B. The firm also consents to the imposition of the following sanctions:

A censure and fine of \$50,000 comprised of:

- A \$12,500 fine in connection with matter 20120339426 including a \$7,500 fine for TRACE reporting violations and a \$5,000 fine for failing to provide evidence of supervisory review;
- A \$5,000 fine in connection with matter 20130359629 for TRACE reporting;
- A \$20,000 fine in connection with matter 20120352310 including a \$15,000 fine for OATS reporting violations and a \$5,000 fine for failing to provide evidence of supervisory review;
- A \$12,500 fine in connection with matter 20110300771 for best execution.¹

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

¹ The firm submitted evidence that it made restitution to the affected customers. The firm placed \$2,356 in escrow for a customer to be paid at the completion of litigation in a separate matter.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the firm;
- 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, 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.

The firm further specifically and voluntarily waives 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

The firm understands 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 the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm’s permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm’s disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. The firm 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. The firm 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 the firm’s: (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.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it 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.

The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's 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 the firm to submit it.

5/21/14
Date

Respondent
Aegis Capital Corp.

By: [Signature]

Name: Sam Guadell

Title: CEO

Reviewed by:

Attorney Name
Counsel for Respondent

Accepted by FINRA:

6/23/14
Date

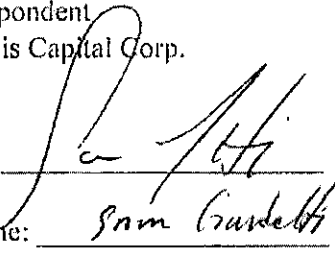
Signed on behalf of the
Director of ODA, by delegated authority

[Signature]
Justin Chretien
Chief Counsel
Department of Market Regulation

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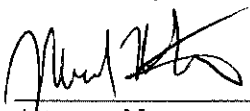
Respondent
Aegis Capital Corp.

By: 

Name: Sam Guardeschi

Title: CEO

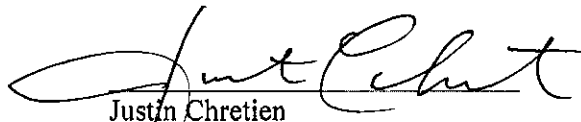
Reviewed by:


Attorney Name
Counsel for Respondent

Accepted by FINRA:

6/23/2014
Date

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


Justin Chretien
Chief Counsel
Department of Market Regulation