

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130366692-01**

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" or "Respondent") 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A.** Respondent 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 the following relevant prior disciplinary history:

On June 24, 2014, FINRA accepted an AWC in which the firm was censured and fined \$50,000 included a \$12,500 fine for TRACE reporting violations during the period from February 6, 2012 through June 30, 2012 and October 1, 2012 through December 31, 2012.

On October 29, 2013, FINRA accepted an AWC in which the firm was fined \$5,000 for Trade Reporting and Compliance Engine ("TRACE") reporting violations during the period from July 1, 2011 through September 30, 2011.

SUMMARY

In connection with matter 20130366692, the Department of Market Regulation ("staff") reviewed the firm's compliance with trade reporting requirements during the period from November 1, 2010 through November 12, 2014, finding approximately 197,000 violations.

20130366692 (including 20130369798, 20140411880, 20150443053, and 20140424177) (lwa)

In connection with matter 20130369798, the staff reviewed the firm's compliance with TRACE reporting requirements during the period from January 1, 2013 through March 31, 2013, finding 81 late TRACE reports and 205 transactions not reported to TRACE.

In connection with matter 20140411880, the staff reviewed the firm's compliance with TRACE reporting requirements during the period from January 1, 2014 through March 31, 2014, finding 147 violations.

In connection with matter 20150443053, the staff reviewed the firm's compliance with TRACE reporting requirements during the period from October 1, 2014 through December 31, 2014, finding 100 violations.

In connection with matter 20140424177, the staff reviewed the firm's compliance with requirements to Accept or Decline orders during the period from January 1, 2014 through April 30, 2014, finding 179 violations.

FACTS AND VIOLATIVE CONDUCT

20130366692

1. During the period from November 1, 2010 through November 12, 2014, the firm in approximately 197,000 instances, inaccurately reported its capacity in trades to the FINRA/Nasdaq Trade Reporting Facility ("FNTRF").¹ The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7230A.
2. During the period November 1, 2010 through November 12, 2014, the firm failed to enforce its written supervisory procedures which specified that the trade reporting supervisor reviews trades reported to the FNTRF on a daily basis and the FINRA trade reporting report cards on a monthly basis. The conduct described in this paragraph constitutes a violation of FINRA Rule 2010 and NASD Rule 3010.

20130369798

3. During the period from January 1, 2013 through March 31, 2013, the firm failed to report to TRACE 81 S1 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted 71 percent of the transactions (114) in TRACE-eligible securities that the firm reported to TRACE. In addition, the firm failed to report 205 S1 transactions in TRACE-eligible securities representing 15 percent of the S1 transactions (1,342) that the firm was required to report to TRACE. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730 and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.
4. During the period from January 1, 2013 through March 31, 2013, the firm failed to enforce its written supervisory procedures which specified that the TRACE reporting supervisor reviews transactions reported to TRACE on a daily basis and the TRACE

¹ The firm experienced a systems issue that occurred over a four-year period and was therefore unable to determine the total number of trades reported to the FNTRF inaccurately. The staff allowed the firm to limit its review to a one-year period. AGIS found that it reported approximately 197,000 trades inaccurately from October 1, 2013 through October 31, 2014.

report cards on a monthly basis. The conduct described in this paragraph constitutes a violation of FINRA Rule 2010 and NASD Rule 3010.

20140411880

5. During the period from January 1, 2014 through March 31, 2014, the firm failed to report to TRACE 147 S1 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted 6.5 percent of the transactions (2,255) in TRACE-eligible securities that the firm reported to TRACE. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730.

20150443053

6. During the period from October 1, 2014 through December 31, 2014, the firm failed to report to TRACE 100 S1 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted 3.52 percent of the transactions (2,840) in TRACE-eligible securities that the firm reported to TRACE. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730.

20140424177

7. During the period from January 1, 2014 through April 30, 2014, the firm failed to accept or decline 179 transactions that were reported to the Over-The-Counter Trade Reporting Facility ("OTRF") within 20 minutes after execution. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7330B.

B. Respondent also consents to the imposition of the following sanctions:

A censure and a \$145,000 fine comprised of the following:

- \$72,500 fine for the violations identified in matter 20130366692 comprised of a \$52,500 fine for the trade reporting violations and a \$20,000 fine for supervisory deficiencies;
- \$62,500 fine for the TRACE reporting violations comprised of a \$12,500 fine for matter 20130369798; a \$17,500 fine for matter 20140411880; a \$17,500 fine for matter 20150443053; and a \$15,000 fine for supervisory deficiencies with respect to TRACE reporting.
- \$10,000 fine for the violations identified in matter 20140424177; and

Aegis Capital Corp. shall retain, within 90 days of the date of the Notice of Acceptance of this AWC, an Independent Consultant, not unacceptable to FINRA staff, to conduct a comprehensive review of the adequacy of the Firm's policies, systems and procedures (written and otherwise) and training relating to trade reporting and TRACE reporting. The firm shall;

- a. Exclusively bear all costs, including compensation and expenses, associated with the retention of the Independent Consultant;

b. Cooperate with the Independent Consultant in all respects, including by providing staff support. Aegis Capital Corp. shall place no restrictions on the Independent Consultant's communications with FINRA staff and, upon request, shall make available to FINRA staff any and all communications between the Independent Consultant and the Firm and documents reviewed by the Independent Consultant in connection with his or her engagement. Once retained, Aegis Capital Corp. shall not terminate the relationship with the Independent Consultant without FINRA staff's written approval; the Firm shall not be in and shall not have an attorney-client relationship with the Independent Consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the Independent Consultant from transmitting any information, reports or documents to FINRA;

c. At the conclusion of the review, which shall be no more than 120 days after the date of the Notice of Acceptance of this AWC, require the Independent Consultant to submit to the Firm and FINRA staff a Written Report. The Written Report shall address, at a minimum, (i) the adequacy of the Firm's policies, systems, procedures, and training relating to trade reporting and TRACE reporting; (ii) a description of the review performed and the conclusions reached, and (iii) the Independent Consultant's recommendations for modifications and additions to the Firm's policies, systems, procedures and training; and

d. Require the Independent Consultant to enter into a written agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any other employment, consultant, attorney-client, auditing or other professional relationship with Aegis Capital Corp., or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any firm with which the Independent Consultant is affiliated in performing his or her duties pursuant to this AWC shall not, without prior written consent of FINRA staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Aegis Capital Corp. or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

Within 90 days after delivery of the Written Report, Aegis Capital Corp. shall adopt and implement the recommendations of the Independent Consultant or, if it determines that a recommendation is unduly burdensome or impractical, propose an alternative procedure to the Independent Consultant designed to achieve the same objective. The Firm shall submit such proposed alternatives in writing simultaneously to the Independent Consultant and FINRA staff.

Within 60 days of receipt of any proposed alternative procedure, the Independent Consultant shall: (i) reasonably evaluate the alternative procedure and determine whether it will achieve the same objective as the Independent Consultant's original recommendation; and (ii) provide the Firm with a written decision reflecting his or her determination. The Firm will abide by the Independent Consultant's ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the Independent Consultant.

Within 60 days after the issuance of the later of the Independent Consultant's Written Report or written determination regarding alternative procedures (if any), Aegis Capital Corp. shall provide FINRA staff with a written implementation report, certified by an officer of Aegis Capital Corp., attesting to, containing documentation of, and setting forth the details of the Firm's implementation of the Independent Consultant's recommendations.

Upon written request showing good cause, FINRA staff may extend any of the procedural dates set forth above.

Respondent 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.

Respondent 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.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, 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.

Respondent 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

Respondent 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 Respondent; 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 accordance with FINRA Rule 8313;**
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and**
 - 4. Respondent 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. Respondent 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: (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. Respondent 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.

02-18-2016
Date

Respondent
Aegis Capital Corp.

By: Nik A. Erickson

Name: Nik A. Erickson

Title: CEO

Reviewed by:

Sam R...
Counsel for Respondent

Accepted by FINRA:

3/29/16
Date

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

Robert Marchman
Robert A. Marchman
Executive Vice President, Legal Section
FINRA Department of Market Regulation

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