

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140398749-01

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 FINRA member since July 20, 1984 and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

In matter 20110300771, FINRA accepted an AWC from the firm on June 23, 2014 in which the firm agreed to a fine of \$15,000 for OATS violations during the period October 1, 2011 through December 31, 2012 and a fine of \$5,000 for supervision related to OATS. This prior AWC also included a fine of \$12,500 for best execution violations during the period July 1, 2011 through September 30, 2011.

SUMMARY

In matter 20140398749, the Customer Issues Team of the Department of Market Regulation (the "Customer Issues staff") conducted a review of the firm's compliance with customer limit order protection requirements during the review period July 1, 2013 through September 30, 2013 (the "first review period"). In connection with that review, the staff found that the firm violated FINRA Rules 4511, 7230A and 7450, as well as SEC Rule 17a-3.

STAR No. 20140398749 (inc. STAR matters 20140435649, 20140436262 and 20150464832 (JWG))

In matter 20140436262, the Customer Issues staff conducted a review of the firm's compliance with customer limit order protection requirements during the review period July 1, 2014 through September 30, 2014 (the "second review period"). In connection with that review, the staff found that the firm violated FINRA Rules 4511 and 7450, as well as SEC Rule 17a-3.

In matter 20140435649, the Customer Issues staff conducted a review of the firm's compliance with market order timeliness requirements during the second review period. In connection with that review, the Customer Issues staff found that the firm violated FINRA Rules 2010 and 5310.

In matter 20150464832, the Order Audit Trail System ("OATS") Compliance Team of the Department of Market Regulation (the "OATS staff") conducted a review of the firm related to compliance with OATS reporting requirements during the review period January 1, 2015 through April 30, 2015 (the "third review period"). In connection with that review, the OATS staff found that the firm violated FINRA Rules 2010 and 7450 as well as FINRA Rule 3110.

FACTS AND VIOLATIVE CONDUCT

In connection with matter 20140398749:

1. During the first review period, in 14 instances, the firm's order memoranda failed to document the correct information regarding 14 orders; specifically, these 14 tickets improperly indicated that the orders were "held" orders. These inaccurate order tickets also resulted in the firm improperly reporting these orders to OATS in 14 instances and improperly reporting these trades to the FINRA TRF in 14 instances. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 4511 and SEC Rule 17a-3; as it relates to the OATS reporting, separate and distinct violations of FINRA Rule 7450; and, as it relates to the inaccurate reporting to the FINRA TRF, separate and distinct violations of FINRA Rule 7230A.

In connection with matter 20140436262:

2. During the second review period, in 24 instances, the firm's order memoranda failed to document the correct information regarding 24 orders; specifically, the 24 tickets improperly indicated that the orders were "held" orders. The inaccurate order tickets also resulted in the firm improperly reporting the orders to OATS in 24 instances. The conduct described in this paragraph related to the mismarked order tickets constitutes separate and distinct violations of FINRA Rule 4511 and SEC Rule 17a-3 and, as it relates to OATS reporting, constitutes separate and distinct violations of FINRA Rule 7450.

In connection with matter 20140435649:

3. During the second review period, in 50 transactions for or with a customer, the firm failed to execute a customer order fully and promptly. In 17 of the 50 instances, the firm also failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions, as reflected on Exhibit A,

which is attached. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 2010 and 5310.

In connection with matter 20150464832:

4. During the third review period, the firm:

- a. submitted 526 ROEs to OATS after the 8:00 am deadline;
- b. submitted 42 new order reports and related subsequent reports to OATS with inaccurate timestamps;
- c. submitted 28 route or combined order / route reports to OATS that OATS was unable to link to the related order in the indicated market center due to inaccurate, incomplete or improperly formatted data;
- d. submitted 94 route or combined order route reports to OATS that OATS was unable to match to the receiving firm's related new order report; and
- e. failed to submit 10 new order reports. Specifically, the firm was named as the "sent to firm" for 10 route or combined order route reports that were reported to OATS but OATS was unable to match the route reports because the firm failed to submit the related new order reports.

The conduct cited pursuant to this paragraph constitutes 700 separate and distinct violations of FINRA Rule 7450.

5. During the third review period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of FINRA, concerning OATS Supervision, by failing to develop procedures for a comprehensive review of the OATS website to ensure the firm's OATS submissions are timely, accurate and complete. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) a statement of the supervisory step(s) to be taken by the identified person(s) to perform a comparison with the OATS website; (2) a statement as to how often such person(s) should take such step(s); and (3) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented; the conduct described in this paragraph constitutes a violation of FINRA Rules 2010 and 3110.

B. Respondent consents to a censure and a \$52,000 fine comprised of:

- A unitary fine of \$12,500 for violations of SEC Rule 17a-3 and FINRA Rule 4511, 7230A and 7450 for inaccurate books and records and the inaccurate reporting of these records;
- A \$17,500 fine for the Best Execution violations;
- A \$15,000 fine for the OATS Reporting violations; and,
- A \$7,000 fine for deficient supervisory procedures in violation of FINRA Rules 2010 and 3110.

Within 60 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the Respondent shall submit to the COMPLIANCE

ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to **MarketRegulationComp@finra.org**, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph five; and, (3) the date the revised procedures were implemented.

Restitution by Respondent to the investors listed on Exhibit A which is attached, in the total amount of \$ 615.87, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this AWC is accepted by the National Adjudicatory Council. A registered principal of the firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution, to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850 or in an e-mail from a work-related account of the registered principal to **MarketRegulationComp@finra.org**, no later than 120 days after acceptance of this AWC. If for any reason, Respondent cannot locate any customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer is known to have last resided. Respondent shall provide satisfactory proof of such action to FINRA in the manner described above, within 14 days of forwarding the undistributed restitution and interest to the appropriate state authority. The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

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 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'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. 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.

Date

3/3/2017

Respondent

Aegis Capital Corp.

By:

Name:

Title:

[Signature]
David S. Hertsch
CCO

Reviewed by:

Counsel for Respondent

Accepted by FINRA:

Date

Mar 6, 2017

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

[Signature]
Justin Chretien

Chief Counsel

FINRA Department of Market Regulation

AGIS CAPITAL CORP. ("AGIS")
3rd Quarter 2014 Market Order Timeliness Review

Part I: OATS Order Details												Part II: Staff's Analysis			
Exception #	Order Received Date	Event Type	Firm MPID	Order Received Time	Buy / Sell	Quantity	Issue Symbol	Market Class	Firm Order ID	Execution Time	Execution Price	Better Price Available	Total Order Duration	MOT Violation	Restitution
1	7/9/14	NW	AGIS	10:09:28	B	1,000	CHK	CQS	0014YJ3e	10:10:02	\$28.8779	N/A	00:00:34	Yes	N/A
2	7/11/14	NW	AGIS	12:15:05	B	1,900	GTE	CQS	AGIS186	12:16:08	300 @ \$7.36 1,600 @ \$7.3599	N/A	00:01:03	Yes	N/A
3	7/11/14	NW	AGIS	15:13:01	SL	2,500	BBRY	NNM	AGIS341	15:15:02	\$11.4701	N/A	00:02:01	Yes	N/A
4	7/15/14	NW	AGIS	11:44:20	SL	2,300	CERE	NNM	AGIS220	11:45:48	\$0.70	N/A	00:01:28	Yes	N/A
5	7/18/14	NW	AGIS	10:50:30	B	2,000	GRPN	NNM	AGIS80	10:52:24	\$6.34	\$6.32	00:01:54	Yes	\$40.00
6	7/21/14	NW	AGIS	15:08:06	B	1,950	PSEC	NNM	AGIS281	15:09:18	1,043 @ \$10.80 907 @ \$10.7999	N/A	00:01:12	Yes	N/A
7	7/24/14	NW	AGIS	10:43:59	B	1,000	TWTR	CQS	AGIS164	10:45:01	400 @ \$38.06 400 @ \$38.0599 200 @ \$38.0575	N/A	00:01:02	Yes	N/A
8	7/24/14	NW	AGIS	15:39:24	SL	1,000	VJET	CQS	AGIS470	15:45:30	2 @ \$18.385 100 @ \$18.3801 300 @ \$18.38 598 @ \$18.07	\$18.41	00:06:06	Yes	\$35.96
9	7/25/14	NW	AGIS	13:18:03	B	1,355	EAD	CQS	AGIS301	13:19:17	25 @ \$9.41 1,330 @ \$9.4099	N/A	00:01:14	Yes	N/A
10	7/25/14	NW	AGIS	13:25:42	B	2,545	EAD	CQS	AGIS309	13:26:59	900 @ \$9.41 1,645 @ \$9.42	\$9.41	00:01:17	Yes	\$16.45
11	7/28/14	NW	AGIS	13:43:59	B	500	GTAT	NNM	AGIS620	13:44:34	\$14.4599	N/A	00:00:35	Yes	N/A
12	7/28/14	NW	AGIS	14:10:27	SL	3,500	OZM	CQS	AGIS681	14:11:37	1,000 @ \$14.07 2,500 @ \$14.06	\$14.07	00:01:10	Yes	\$25.00
13	7/28/14	NW	AGIS	14:27:00	B	1,000	JMI	CQS	AGIS709	14:27:37	100 @ \$13.345 900 @ \$13.3499	N/A	00:00:37	Yes	N/A
14	7/28/14	NW	AGIS	15:40:47	SL	500	GTAT	NNM	AGIS895	15:42:09	\$14.20	N/A	00:01:22	Yes	N/A
15	7/30/14	NW	AGIS	11:50:29	B	500	GWPH	NNM	AGIS253	11:51:17	\$87.799	N/A	00:00:48	Yes	N/A
16	7/30/14	NW	AGIS	13:27:57	B	3,000	ANV	CQS	AGIS354	13:30:14	\$3.1499	N/A	00:02:17	Yes	N/A
17	7/31/14	NW	AGIS	10:03:38	B	1,500	KNDI	NNM	AGIS90	10:05:10	\$17.1299	\$17.05	00:01:32	Yes	\$119.85
18	7/31/14	NW	AGIS	10:28:59	B	850	ABEV	CQS	AGIS128	10:29:30	\$7.0199	N/A	00:00:31	Yes	N/A
19	7/31/14	NW	AGIS	14:55:43	B	600	GRPN	NNM	AGIS391	14:57:34	\$6.3999	N/A	00:01:51	Yes	N/A
20	7/31/14	NW	AGIS	15:15:59	SL	2,500	HCT	NNM	AGIS497	15:20:04	\$10.71	N/A	00:04:05	Yes	N/A
21	8/5/14	NW	AGIS	14:04:11	SL	100	LNKD	CQS	AGIS212	14:05:48	\$202.1501	\$202.33	00:01:37	Yes	\$17.99
22	8/11/14	NW	AGIS	15:24:01	B	2,000	CRRS	SC	AGIS392	15:25:09	1,000 @ \$2.00 1,000 @ \$1.9999	N/A	00:01:08	Yes	N/A
23	8/12/14	NW	AGIS	13:48:19	B	415	AAPL	NNM	AGIS284	13:49:40	\$96.0799	N/A	00:01:21	Yes	N/A
24	8/15/14	NW	AGIS	10:46:24	B	300	ADHD	NNM	AGIS116	10:47:10	100 @ \$21.34 200 @ \$21.35	N/A	00:00:46	Yes	N/A
25	8/15/14	NW	AGIS	13:46:56	B	1,500	SUNE	CQS	AGIS244	13:48:32	500 @ \$21.075 1,000 @ \$21.08	\$21.05	00:01:36	Yes	\$42.50
26	8/19/14	CR	AGIS	10:09:58	SL	2,000	PSP	CQS	AGIS118	10:13:31	100 @ \$11.79 1,900 @ \$11.78	\$11.79	00:03:33	Yes	\$19.00
27	8/26/14	NW	AGIS	12:58:39	B	250	GNC	CQS	AGIS539	12:59:32	\$37.1199	\$37.10	00:00:53	Yes	\$4.97
28	8/26/14	NW	AGIS	13:00:22	B	210	FBHS	CQS	AGIS542	13:00:57	\$43.5499	N/A	00:00:35	Yes	N/A
29	8/26/14	NW	AGIS	14:16:57	SL	900	EVOK	SC	AGIS745	14:17:39	\$6.7001	N/A	00:00:42	Yes	N/A
30	8/26/14	NW	AGIS	15:08:28	SL	1,000	GTAT	NNM	AGIS904	15:09:06	\$18.6301	N/A	00:00:38	Yes	N/A
31	8/28/14	NW	AGIS	11:41:10	SL	500	TWTR	CQS	AGIS140	11:42:01	\$49.6401	N/A	00:00:51	Yes	N/A
32	8/28/14	NW	AGIS	14:35:27	SL	500	XONE	NNM	AGIS250	14:36:19	200 @ \$29.70 100 @ \$29.6601 200 @ \$29.66	\$29.70	00:00:52	Yes	\$11.99
33	8/29/14	NW	AGIS	10:30:32	SL	350	VEEV	CQS	AGIS79	10:33:01	\$28.7301	\$28.96	00:02:29	Yes	\$80.47
34	8/29/14	NW	AGIS	13:40:10	B	2,700	TVIX	NNM	AGIS177	13:43:10	\$2.75	N/A	00:03:00	Yes	N/A
35	9/2/14	NW	AGIS	09:58:47	SL	1,900	ARWR	NNM	AGIS42	10:01:22	\$14.61	\$14.66	00:02:35	Yes	\$95.00
36	9/3/14	NW	AGIS	10:30:48	B	1,000	CMGE	NNM	AGIS166	10:31:26	\$19.6299	N/A	00:00:38	Yes	N/A
37	9/3/14	NW	AGIS	10:49:32	B	500	GLOG	CQS	AGIS187	10:50:09	\$24.3099	N/A	00:00:37	Yes	N/A
38	9/3/14	NW	AGIS	11:08:34	SL	4,000	BBRY	NNM	AGIS220	11:09:38	\$10.89	\$10.90	00:01:04	Yes	\$40.00
39	9/3/14	NW	AGIS	11:27:48	SL	2,500	ADXS	SC	AGIS261	11:29:19	100 @ \$4.26 1,000 @ \$4.2501 1,400 @ \$4.25	\$4.26	00:01:31	Yes	\$23.90
40	9/3/14	NW	AGIS	12:34:18	B	500	AAPL	NNM	AGIS354	12:34:57	\$99.33	\$99.30	00:00:39	Yes	\$15.00
41	9/4/14	NW	AGIS	13:02:20	B	150	GWPH	NNM	AGIS359	13:03:25	25 @ \$89.76 125 @ \$89.8199	\$89.75	00:01:05	Yes	\$8.99
42	9/15/14	NW	AGIS	14:16:58	B	500	TSLA	NNM	AGIS337	14:17:52	300 @ \$251.49 100 @ \$251.488 100 @ \$251.48	\$251.45	00:00:54	Yes	\$18.80
43	9/16/14	NW	AGIS	10:16:04	B	900	AMC	CQS	AGIS102	10:16:39	600 @ \$24.6499 100 @ \$24.65 200 @ \$24.61	N/A	00:00:35	Yes	N/A
44	9/19/14	NW	AGIS	14:50:56	B	400	GOGO	NNM	AGIS505	14:52:09	\$18.6899	N/A	00:01:13	Yes	N/A
45	9/22/14	NW	AGIS	14:15:22	B	1,000	BABA	CQS	AGIS433	14:16:14	\$90.02	N/A	00:00:52	Yes	N/A
46	9/23/14	NW	AGIS	13:25:25	SL	100	TWTR	CQS	AGIS418	13:26:06	\$51.9101	N/A	00:00:41	Yes	N/A
47	9/23/14	NW	AGIS	15:29:06	B	500	AMBA	NNM	AGIS581	15:29:49	\$41.2599	N/A	00:00:43	Yes	N/A
48	9/24/14	NW	AGIS	13:05:14	B	500	GTAT	NNM	AGIS359	13:06:07	\$11.5399	N/A	00:00:53	Yes	N/A
49	9/25/14	NW	AGIS	10:16:29	B	500	TWTR	CQS	AGIS115	10:17:35	\$51.8699	N/A	00:01:06	Yes	N/A
50	9/25/14	NW	AGIS	15:40:37	B	775	VJET	CQS	AGIS696	15:41:26	\$15.4499	N/A	00:00:49	Yes	N/A
No. of MOT Violations:														50	
Total Restitution:														\$615.87	