

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015047803301

TO: Department of Enforcement
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's headquarters are in New York City, and the firm currently employs approximately 409 registered representatives at its headquarters and its 26 branch office locations. The firm is an introducing broker-dealer, clearing through three separate clearing firms. Its primary lines of business are commission-based brokerage and investment banking and research.

RELEVANT DISCIPLINARY HISTORY

On June 24, 2014, FINRA accepted an AWC in Matter No. 20110300771 in which the firm was fined \$50,000, including a \$12,500 fine for TRACE reporting violations during the period from February 6, 2012 through June 30, 2012. The firm violated FINRA Rule 6730(a) and had a pattern and practice of late reporting without exceptional circumstances, in violation of FINRA Rule 2010.

On March 29, 2016, FINRA accepted an AWC in Matter No. 20130366692 in which the firm was censured and fined \$145,000, including a \$47,500 fine for TRACE reporting violations that included the review period from October 1, 2014 through December 31, 2014. The firm violated FINRA Rule 6730(a) and had a pattern and practice of late reporting without exceptional circumstances, in violation of FINRA Rule 2010.

OVERVIEW

In the period from July 1, 2015 through March 31, 2016, the firm failed to report to TRACE a total of 241 TRACE-eligible securities transactions, and in the period from October 1, 2016 through June 30, 2017, the firm failed to report to TRACE a total of 335 TRACE-eligible securities transactions within the time required by FINRA Rule 6730(a). This conduct violated FINRA Rule 6730(a) and constituted a pattern and practice of late reporting without exceptional circumstances, in violation of FINRA Rule 2010.

In the period from January 1, 2016 through March 31, 2016, the firm reported to TRACE 71 TRACE-eligible securities transactions with incorrect transaction times, and in the period from April 1, 2017 through June 30, 2017, the firm reported to TRACE 27 TRACE-eligible securities transactions with incorrect transaction times. This conduct violated FINRA Rule 6730(c)(8).

In the period from January 1, 2016 through March 31, 2016, the firm failed to record on its order memoranda accurate transaction times with respect to 69 securities transactions. This conduct violated Rule 17a-3 of the Securities Exchange Act of 1934 (the "SEA") and FINRA Rules 4511(a) and 2010.

FACTS AND VIOLATIVE CONDUCT

Relevant Rules

FINRA Rule 6730(a) states, in relevant part, that "[e]ach member that is a [p]arty to a [t]ransaction in a TRACE-Eligible Security must report the transaction. A member must report a transaction in a TRACE-Eligible Security as soon as practicable, but no later than within 15 minutes of the Time of Execution, except as otherwise specifically provided [in this Rule]. Transactions not reported within the specified timeframe will be designated as 'late.'"

FINRA Rule 6730(c)(8) states, in relevant part, that "Each TRACE trade report shall contain the following information:... (8) [t]ime of [e]xecution."

SEA Rule 17a-3 requires, in relevant part, that "every broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934, as amended, shall make and keep current the following books and records..." related to "(a)(6)(i) 'A memorandum of each brokerage order... [that includes] the time the order was received; [and] the time of entry.'"

FINRA Rule 4511(a) states that "Members shall make and preserve books and records as required under the FINRA Rules, the Exchange Act, and the applicable Exchange Act Rules."

FINRA Rule 2010 states that "A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

Violative Conduct

1. During the period from July 1, 2015 through September 30, 2015, the firm failed to report to TRACE 100 transactions in TRACE-eligible Corporate Debt Securities within the time required by FINRA Rule 6730(a). 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. During the period from October 1, 2015 through December 31, 2015, the firm failed to report to TRACE 70 transactions in TRACE-eligible Corporate Debt Securities within the time required by FINRA Rule 6730(a). 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.
3. During the period from January 1, 2016 through March 31, 2016, the firm failed to report to TRACE the correct time of trade execution for 71 transactions in TRACE-eligible Corporate Debt Securities. These 71 inaccurate reports constituted 5.93% of the 1,198 matched inter-dealer reports that the firm submitted to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
4. During the period from January 1, 2016 through March 31, 2016, the firm also failed to report to TRACE 71 transactions in TRACE-eligible Corporate Debt Securities within the time required by FINRA Rule 6730(a). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a).
5. During the period from January 1, 2016 through March 31, 2016, the firm also failed to show the correct time of execution of the memorandum of 69 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of Rule 17a-3 of the Exchange Act and FINRA Rules 4511 and 2010.
6. During the period from October 1, 2016 through December 31, 2016, the firm failed to report to TRACE 97 transactions in TRACE-eligible Corporate Debt Securities within the time required by FINRA Rule 6730(a). 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.
7. During the period from January 1, 2017 through March 31, 2017, the firm failed to report to TRACE 92 transactions in TRACE-eligible Corporate Debt Securities within the time required by FINRA Rule 6730(a). 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.

8. During the period from April 1, 2017 through June 30, 2017, the firm failed to report to TRACE 84 transactions in TRACE-eligible Corporate Debt Securities within the time required by FINRA Rule 6730(a). 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.
 9. During the period from April 1, 2017 through June 30, 2017, the firm failed to report to TRACE 62 transactions in TRACE-eligible Securitized Products within the time required by FINRA Rule 6730(a). 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.
 10. During the period from April 1, 2017 through June 30, 2017, the firm also failed to report to TRACE the correct time of trade execution for 27 transactions in TRACE-eligible Securitized Products. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
- B. Respondent also consents to the imposition of the following sanctions:
- A censure; and
 - A fine of \$64,000 (a \$62,500 fine for the TRACE reporting violations, and a \$1,500 fine for the recordkeeping violations).

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is 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 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'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.

Date 11/30/2018

Respondent
Aegis Capital Corp.
By: [Signature]
Name: DAVID S. HERTSCHEL
Title: CCO

Counsel for Respondent

Date 12/14/18


Joaquin Gubb
FINRA Department of Enforcement