

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016050784101**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: Aurora Capital LLC, Respondent
Member Firm
CRD No. 37924

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Aurora Capital LLC ("Aurora Capital" or 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 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

Aurora Capital has been a FINRA member firm since May 1995. It has an investment banking and retail business and it currently employs five registered representatives. Aurora Capital's main office is in Bridgehampton, New York and it does not currently have any other branch offices.

RELEVANT DISCIPLINARY HISTORY

Aurora Capital does not have any relevant disciplinary history with the Securities and Exchange Commission, any state securities regulators, FINRA, or any other self-regulatory organization.

OVERVIEW

This matter involves three violations by Aurora Capital. First, from June 26, 2013 through September 2, 2015, the Firm failed to meet its obligations to evaluate and document various aspects of the outside business activity ("OBA") of one of its registered representatives ("RR 1"). Second, from July 18, 2014 through August 31, 2018 (the "Email Violation Period"), the Firm failed to reasonably supervise electronic



communications that its registered representatives sent and received. Third, from January 1, 2016 through December 31, 2018 (the "Inspection Violation Period"), the Firm failed to conduct inspections of any of its offices.

As a result, Aurora Capital violated NASD Rule 3010 and FINRA Rules 3270, 3110 and 2010.¹

FACTS AND VIOLATIVE CONDUCT

The Firm Failed to Reasonably Evaluate and Document RR 1's OBA

FINRA Rule 3270 prohibits registered persons from engaging in OBAs unless they provide prior written notice to the member firm, in such form as specified by the member. The Firm also has various requirements it must satisfy under Rule 3270 after receiving notice that one of its registered persons is engaged in an OBA. As described in the Supplementary Material .01 to Rule 3270:

Upon receipt of a written notice under Rule 3270, a member shall consider whether the proposed activity will: (1) interfere with or otherwise compromise the registered person's responsibilities to the member and/or the member's customers or (2) be viewed by customers or the public as part of the member's business based upon, among other factors, the nature of the proposed activity and the manner in which it will be offered. Based on the member's review of such factors, the member must evaluate the advisability of imposing specific conditions or limitations on a registered person's outside business activity, including where circumstances warrant, prohibiting the activity. A member also must evaluate the proposed activity to determine whether the activity properly is characterized as an outside business activity or whether it should be treated as an outside securities activity subject to the requirements of Rule 3280. A member must keep a record of its compliance with these obligations with respect to each written notice received and must preserve this record for the period of time and accessibility specified in SEA Rule 17a-4(e)(1).

RR 1 was registered through the Firm between January 2006 and July 2019. During that time, RR 1 generated the majority of the Firm's revenue. The Firm knew that RR 1 had engaged in undisclosed private securities transactions previously. In 2008, RR 1 was the subject of a FINRA disciplinary action for engaging in undisclosed private securities

¹ On December 1, 2014, FINRA Rule 3110 replaced NASD Rule 3010. Therefore, supervisory misconduct occurring prior to that date is a violation of NASD Rule 3010 and misconduct on or after that date is a violation of FINRA Rule 3110. Violations of each of the rules at issue in this matter also constitute violations of FINRA Rule 2010, which requires FINRA members to observe high standards of commercial honor and just and equitable principles of trade.

transactions (while registered through a prior FINRA member firm) in violation of FINRA Rule 3280.

In June 2013, RR 1 completed and submitted the Firm's "Outside Business Activities Questionnaire." In the questionnaire, RR 1 disclosed that he was a "Broadway producer . . . and investor in shows/albums," and that he received compensation as a Broadway producer "if the show recoups." RR 1 did not provide any other details regarding this OBA on the questionnaire. Between July 2014 and September 2, 2015, RR 1 personally invested \$125,000 in two Broadway shows. RR 1 also referred three investors to a third Broadway show in which they invested a total of \$75,000.

Notwithstanding RR 1's prior failure to disclose his participation in private securities transactions, the Firm failed to reasonably evaluate RR 1's OBA disclosure to determine whether RR 1 was participating in an outside securities activity subject to the requirements of FINRA Rule 3280. For example, the Firm did not investigate whether investments made in Broadway shows or albums typically constitute securities transactions. Further, the Firm failed to keep records of its review obligations in connection with RR 1's disclosures.

As a result of the foregoing, the Firm violated FINRA Rules 3270 and 2010.

The Firm Failed to Reasonably Supervise Electronic Communications

FINRA Rule 3110(a) requires members to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA Rules. FINRA Rule 3110(b)(1) requires a broker-dealer to establish, maintain, and enforce written procedures to supervise the types of businesses in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.²

FINRA Rule 3110(b)(4) requires member firms to establish, maintain, and enforce written procedures for, among other things, the review by a registered principal of incoming and outgoing written (including electronic) correspondence related to its securities business.³ The procedures must be appropriate for the member's business, size, structure, and customers. As discussed in FINRA Regulatory Notice 07-59, member firms that employ "risk-based" procedures to review electronic communications should consider how to effectively flag potentially problematic communications such as those that evidence or contain customer complaints, problems, errors, orders or other instructions for an account.

During the Email Violation Period, the Firm failed to establish, maintain, and enforce a reasonable supervisory system, including written supervisory procedures ("WSPs"), concerning the review of electronic communications. The Firm's WSPs stated that a

² Prior to December 1, 2014, NASD Rules 3010(a) and (b) imposed substantially similar requirements.

³ Prior to December 1, 2014, NASD Rule 3010(d)(2) imposed substantially similar requirements.

sample of emails would be chosen “at random or based on keywords or phrases as identified by the designated Principal that are relevant to the Firm’s business” and that the sample would be “reviewed at least monthly.” The Firm’s WSPs, however, did not provide guidance as to the quantity of emails that would be reviewed (irrespective of how they were selected) or set forth other “risk-based” procedures that it would utilize to conduct the review. Moreover, notwithstanding that the Firm’s WSPs referenced the potential use of “keywords or phrases,” the Firm did not attempt to develop such a list until May of 2018, late in the Email Violation Period.

In practice, the Firm reviewed a negligible number of the emails that were flagged for review. Specifically, of the 845,379 emails Aurora Capital sent and received during the Email Violation Period, the Firm flagged 78,108 emails for review and only reviewed 46 of those emails (or 0.005% of the Firm’s total emails). Moreover, the Firm’s principal responsible for email review admitted that he did not conduct regular, documented reviews of electronic communications.

As a result of the foregoing, the Firm violated NASD Rules 3010(a), (b) and (d) and FINRA Rules 3110(a) and (b) and 2010.

The Firm Failed to Conduct Office Inspections

FINRA Rule 3110(c) requires each member firm to conduct periodic reviews of the businesses in which it engages “to assist the member in detecting and preventing violations of, and achieving compliance with, applicable securities laws and regulations, and with applicable FINRA rules.” It further requires each member firm to inspect every office of supervisory jurisdiction (“OSJ”) at least annually, every branch office that does not supervise other non-branch locations at least every three years, and every non-branch location “on a regular periodic schedule.” While the member may determine the frequency of the non-supervisory branch office and non-branch location inspections within these parameters, it must (i) consider, among other factors, the nature and complexity of the securities activities for which the locations are responsible; and (ii) set forth the schedule and explanation regarding how the member determined the frequency of the inspections in its WSPs and inspection procedures.

Aurora Capital maintained one OSJ and two branch offices that were open throughout the three-year Inspection Violation Period: The OSJ was the main office in Bridgehampton, NY, where five employees worked; and the two branch offices were in Chestnut Ridge, NY, where four employees worked, and an office in Glen Cove, NY, where three employees worked. The Firm also had between three and six non-branch office locations during the Inspection Violation Period.

The Firm did not conduct inspections of any of these locations during the Inspection Violation Period and its WSPs lacked the required office inspection schedule and explanation for the frequency of such inspections.

As a result of the foregoing, the Firm violated FINRA Rules 3110(c) and 2010.

B. Aurora Capital also consents to the imposition of the following sanctions:

- A censure;
- A \$15,000 fine;⁴ and
- The following undertakings:
 - a. WSPs Review and Certification. Respondent will certify to FINRA within one hundred and eighty (180) days from the date this AWC is accepted, in a writing signed by a registered principal, that it has adopted and implemented policies, procedures and systems that are reasonably designed to address each of the areas of conduct identified in the AWC.
 - b. Risk-Based Email Review and Certification. Respondent will certify to FINRA within one hundred and eighty (180) days from the date this AWC is accepted, in a writing certified by a registered principal, that it has completed a risk-based retrospective review of electronic communications sent or received by its associated personnel during the Email Violation Period, reasonably designed to achieve compliance with FINRA Rule 3110(b)(4). The Firm also will comply with all reporting obligations under FINRA Rule 4530, Form U4, and Form U5, as a result of its findings from that review.
 - c. Office Inspections and Certifications. Respondent will certify to FINRA within one hundred and eighty (180) days from the date this AWC is accepted, in a writing certified by a registered principal, that it has completed an inspection of each of its office(s) to achieve compliance with FINRA Rule 3110(c). The Firm also will comply with all reporting obligations under FINRA Rule 4530, Form U4, and Form U5, as a result of its findings.

The certifications described above shall be submitted by letter addressed to David C. Pollack, Senior Counsel, FINRA – Department of Enforcement, Brookfield Place, 200 Liberty Street, New York, New York 10281, or by email to David.Pollack@finra.org. FINRA staff can extend the deadlines set forth above for good cause upon written request from Respondent or its counsel.

* * *

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

⁴ Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the Firm's revenues and financial resources. See Notice to Members 06-55.

Respondent specifically and voluntarily waives any right to claim an inability 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 it;
- 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 Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 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 Respondent'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. Respondent 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 Respondent 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 it to submit it.

09/23/2019

Date

Aurora Capital LLC
Respondent

By:



Print Name: Jeff Eliot Margolis

Title: President

Reviewed by:

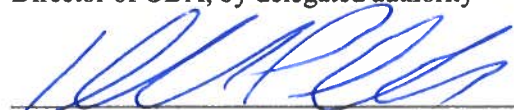
Michael P. Gilmore, Esq.
Counsel for Respondent
Moss & Gilmore LLP
129 Third Street, Suite 100
Mineola, NY 11501
mpgilmore@mossgilmorelaw.com

Accepted by FINRA:

10/3/2019

Date

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



David C. Pollack
Senior Counsel
FINRA
Department of Enforcement
Brookfield Place
200 Liberty Street
New York, New York 10281
David.Pollack@finra.org



The undersigned, on behalf of the Respondent 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 it to submit it.

Aurora Capital LLC
Respondent

09/23/2019

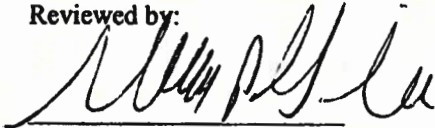
Date

By: Jeff Eliot Margolis

Print Name: Jeff Eliot Margolis

Title: President

Reviewed by:



Michael P. Gilmore, Esq.
Counsel for Respondent
Moss & Gilmore LLP
129 Third Street, Suite 100
Mineola, NY 11501
mpgilmore@mossgilmorelaw.com

Accepted by FINRA:

10/31/2019

Date

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



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