

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019062640302**

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

RE: MCAP LLC (Respondent)
Member Firm
CRD No. 139515

Pursuant to FINRA Rule 9216, Respondent MCAP LLC 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 in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

MCAP LLC has been a FINRA member firm since June 2006. The firm has three branch offices and approximately 50 registered persons. The firm's principal place of business is in New York, New York. MCAP specializes in electronic market making, including in over-the-counter (OTC) securities.¹

OVERVIEW

From at least October 2017 to May 2024, MCAP violated FINRA Rules 3110 and 2010 by failing to establish and maintain a system reasonably designed to supervise the firm's electronic communications. During this period, MCAP's written procedures failed to identify who was responsible for conducting supervisory reviews of its designated principals' electronic communications, and the firm allowed certain designated principals to conduct supervisory reviews of their own electronic communications. As a result, MCAP failed to reasonably review thousands of electronic communications sent or received by its designated principals over an approximate seven-year period.

In addition, from at least October 2017 to October 2025, MCAP violated FINRA Rules 3110 and 2010 by failing to reasonably supervise both the firm's OTC sponsorship and

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

market making businesses for compliance with Rule 15c2-11 under the Securities Exchange Act of 1934 and for compliance with FINRA Rule 6432.

For these violations, MCAP is censured and fined \$125,000.

FACTS AND VIOLATIVE CONDUCT

This matter originated from an investigation of MCAP's Form 211 filings.

FINRA Rule 3110(a) requires each FINRA member 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) requires each FINRA member to establish, maintain, and enforce written procedures to supervise the types of business 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.

A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010, which requires FINRA members to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

A. MCAP failed to reasonably supervise its electronic communications.

FINRA Rule 3110(b)(4) requires each FINRA member to establish, maintain, and enforce written supervisory procedures (WSPs) to provide for the review of incoming and outgoing electronic correspondence relating to the member's investment banking or securities business.

In December 2007, FINRA Regulatory Notice 07-59 provided guidance to firms on the supervision of electronic communications and advised that "[u]nless a member's size and/or structure (e.g., a sole proprietor) is such that the member has no other reasonable alternative for reviewing an individual's electronic communications, an individual may not conduct supervisory reviews of his or her own electronic communications."

In September 2017, FINRA advised MCAP that it was not complying with FINRA Rule 3110 with respect to its supervision of electronic communications, including by failing to have an independent person review its designated principals' electronic communications.

Nonetheless, from at least October 2017 to May 2024, MCAP failed to establish and maintain a system, including WSPs, reasonably designed to supervise the firm's electronic communications. During this period, the firm maintained WSPs providing for the review of its associated persons' electronic communications by a designated principal. However, the WSPs did not identify who was responsible for reviewing the designated principals' electronic communications. In practice, the firm allowed its

designated principals to conduct supervisory reviews of their own electronic communications. As a result, MCAP failed to reasonably review thousands of electronic communications sent or received by its designated principals.

Therefore, MCAP violated FINRA Rules 3110 and 2010.

B. MCAP failed to reasonably supervise its compliance with Exchange Act Rule 15c2-11 and FINRA Rule 6432.

FINRA Rule 3110(a)(5) requires that each FINRA member's supervisory system provide for the assignment of each registered person to an appropriately registered representative or principal responsible for supervising that person's activities.

The duty to supervise under FINRA Rule 3110 also includes the responsibility to reasonably investigate red flags that suggest misconduct may be occurring and to act upon the results of such investigation.

Exchange Act Rule 15c2-11 governs a broker-dealer's submission and publication of quotations for OTC securities and serves to prevent fraudulent, deceptive, or manipulative acts or practices.

Exchange Act Rule 15c2-11 and FINRA Rule 6432 prohibit a broker-dealer from publishing any quotation for an OTC security in any quotation medium without complying with certain information review and maintenance requirements unless an exception applies.

Subject to exceptions, a FINRA member is required to demonstrate compliance with Rule 15c2-11 and FINRA Rule 6432 by filing a Form 211 with FINRA. In processing Forms 211, FINRA requests additional information from members as necessary. If a Form 211 and accompanying information demonstrates compliance with Rule 15c2-11 and FINRA Rule 6432, FINRA notifies the member that it is permitted to initiate or resume quotations in the security at issue.

Where continuous quotations already exist for an OTC security in an interdealer quotation system, the "piggyback exception" in Rule 15c2-11(f)(3) generally permits firms to publish quotations for OTC securities without filing a Form 211. Effective September 2021, Exchange Act Rule 15c2-11 was amended to, among other things, allow firms to rely on a qualified interdealer quotation system (IDQS)'s publicly available determination that an exception to Rule 15c2-11 applied. The amendments also require firms to maintain records demonstrating compliance with certain exceptions to Rule 15c2-11, including the piggyback exception and a firm's reliance upon an IDQS's determination of an exception.

1. MCAP failed to reasonably supervise its OTC sponsorship business.

From May 2014 through January 2023, MCAP operated an OTC sponsorship business serving foreign issuer clients seeking to have their securities quoted and traded on U.S. OTC markets. Admission to the OTC markets required a priced quotation by a market maker, and the relevant issuers relied on MCAP to file Form 211 applications with FINRA to initiate such quotations. A former registered principal at MCAP served as the head of this business line. The former principal's responsibilities included drafting and filing Forms 211; responding to FINRA requests for information about Forms 211 pursuant to FINRA Rule 6432; communicating with issuers about Forms 211 and OTC market eligibility; and advising issuers with respect to other eligibility requirements for the OTC markets, such as disclosure and corporate governance standards.

From at least October 2017 through April 2019, no one at MCAP supervised the former principal's activities or the OTC sponsorship business, and during this same period, MCAP did not establish any supervisory system or WSPs for that business.

By May 2019, MCAP had identified concerns about the former principal's handling of the OTC sponsorship business. For example, MCAP learned that FINRA had closed a Form 211 application due to the former principal's failure to respond to a request for additional information. MCAP also discovered that the former principal had been using another MCAP principal's User ID and password to submit Forms 211 and related responses to FINRA, creating the false appearance that the other MCAP principal was responsible for over 75 Forms 211 exclusively handled by the former principal.

Nonetheless, from May 2019 until January 2023, when the firm voluntarily ceased its OTC sponsorship business, MCAP failed to assign anyone to supervise the activities of the former principal. Likewise, MCAP failed to establish a supervisory system, including WSPs, reasonably designed to monitor the OTC sponsorship business for compliance with the firm's regulatory obligations.

As a result of these supervisory deficiencies, MCAP did not detect that the former principal submitted six false and misleading responses to FINRA requests and made material misrepresentations and omissions in at least 27 emails with issuers about the status of their Forms 211. The outcome of the Form 211 process determined whether MCAP could initiate quotations for their securities and was therefore relevant to whether the issuers could satisfy one of the requirements for applying for admission to the OTC markets. MCAP was unaware of this misconduct until it was identified by FINRA.

Therefore, MCAP violated FINRA Rules 3110 and 2010.

2. MCAP failed to reasonably supervise its OTC market making business.

In December 2019, FINRA advised MCAP that it was not reasonably supervising its OTC market making business for compliance with Exchange Act Rule 15c2-11 or FINRA Rule 6432, including that the firm lacked any relevant WSPs. Nonetheless,

MCAP did not implement any relevant WSPs until June 2021. The WSPs implemented in June 2021 were not reasonably designed, however, because they did not establish any process for achieving compliance with the piggyback exception to Rule 15c2-11, which was routinely relied upon by the firm.

Beginning in September 2021, MCAP routinely relied on determinations by an IDQS that an exception to Rule 15c2-11 applied. Nonetheless, MCAP did not update its supervisory system or WSPs to address reliance on such determinations by an IDQS. MCAP also did not update its supervisory system or WSPs to address the obligation under Rule 15c2-11(d)(2) to maintain records demonstrating compliance with certain exceptions to Rule 15c2-11. MCAP did not establish WSPs or a supervisory system for complying with these requirements until November 2025.²

Therefore, MCAP violated FINRA Rules 3110 and 2010.

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

- a censure
- a \$125,000 fine.

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.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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;

² MCAP remediated its WSPs and supervisory system in November 2025.

- 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 its acceptance or rejection.

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 its subject matter in accordance with FINRA Rule 8313; and

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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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

April 6, 2026

Date

David Menn

MCAP LLC
Respondent

Print Name: David Menn

Title: CEO

Reviewed by:

David Schrader

David A. Schrader
Counsel for Respondent
David Schrader & Associates, P.C.
2500 Westchester Ave., Ste 109
Purchase, New York 10577

Accepted by FINRA:

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

April 8, 2026

Date

Ashley Stein

Ashley Stein
Counsel
FINRA
Department of Enforcement
Brookfield Place, 200 Liberty Street
New York, NY 10281