

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20160489392-01

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.

RELEVANT DISCIPLINARY HISTORY

On June 5, 2015, FINRA accepted an AWC in which the firm was censured and fined \$85,000 of which \$45,000 related, in relevant part, to market order timeliness/best execution violations during second quarter 2012, and during first quarter 2013, and \$5,000 related to supervisory findings during first quarter 2013 pursuant to NASD Rule 3010 and FINRA Rule 2010. The firm also entered into an undertaking to update the firm's written supervisory procedures for compliance with market order timeliness requirements.

On June 23, 2014, FINRA accepted an AWC in which the firm was censured and fined \$50,000 of which \$12,500 related, in relevant part, to findings that during the third quarter 2011 the firm violated order handling and best execution requirements.

SUMMARY

In Matter No. 20160489392, FINRA's Customer Issues Group staff reviewed the firm's compliance with the best execution/timeliness requirements of FINRA Rule 5310 during the period of October 1, 2015 through December 31, 2015 (the "review period"). As described further below, during the review period the firm violated FINRA Rules 5310, 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

1. In 22 instances, the firm failed to execute orders fully and promptly. Additionally, for 11 of the above-referenced 22 orders, the firm 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. The transactions for which restitution is sought for affected customers are identified on Exhibit A (attached). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 5310 and 2010.
2. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations and the Rules of FINRA. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to sufficiently provide for one or more of the four above-cited minimum requirements for adequate written supervisory procedures, in the following subject area: (1) Rule 5310 compliance [(b) and (d)]. The conduct described above in this paragraph constitutes violations of FINRA Rules 3110 and 2010.

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

A censure, a fine of \$27,500, consisting of \$20,000 for the Rule 5310 findings and \$7,500 for the supervisory findings, and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.2. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the firm 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 I.A.2; and, (3) the date the revised procedures were implemented.

Restitution also is ordered to be paid to the customer(s) listed on Exhibit A hereto in the amount of \$620.30, 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 NAC. A registered principal on behalf of the Respondent firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, either by letter that identifies the Respondent and case number, or by email from a work-related account of the registered principal of the firm to **MarketRegulationComp@finra.org**. This proof shall be provided to FINRA no later than 120 days after acceptance of this AWC.

If for any reason, Respondent cannot locate any customer identified in Exhibit A after reasonable and documented efforts within 120 days from the date the AWC is accepted, or such additional period agreed to by FINRA staff in writing, 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.

9/7/2017
Date

Respondent

Aegis Capital Corp.

By: [Signature]
Name: David S. Hentschel
Title: Chief Compliance Officer

Reviewed by:

Attorney Name
Counsel for Respondent
Firm Name
Address
City/State/Zip
Phone Number

Accepted by FINRA:

September 20, 2017
Date

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

[Signature]
James J. Nixon
Chief Litigation Counsel
FINRA Department of Market Regulation

Part I: Information Reported to OATS													Part II: Staff's Analysis																			
Item #	Order Received Date	Event Type	Firm MPID	Order Received Time	Buy / Sell	Quantity	Issue Symbol	Latest Execution Time	Execution #	Execution Time	Execution Size	Execution Price	MOT Start Time	Last Principal Fill	MOT Duration	MOT Violation	PBBO Better Price During Life of Order	Restitution Total Amount														
1	10/1/2015	NW	AGIS	9:40:24	B	400	FCAU	09:41:05	1-1	9:41:05	400	\$13.38	09:40:24	09:41:05	0:00:41	Y	\$13.37	\$4.00														
2	10/2/2015	NW	AGIS	10:05:46	SL	1,000	CGIX	10:06:39	2-1	10:06:39	500	\$7.55	10:05:46	10:06:39	0:00:53	Y	\$7.55	\$23.00														
									2-2	10:06:39	100	\$7.55																				
									2-3	10:06:39	100	\$7.55																				
									2-4	10:06:39	100	\$7.48																				
									2-5	10:06:39	100	\$7.47																				
									2-6	10:06:39	100	\$7.47																				
3	10/6/2015	NW	AGIS	13:41:23	SL	250	MICTW	13:47:55	3-1	13:43:23	200	\$0.385	13:41:23	13:47:55	0:06:32	Y	\$0.385	N/A														
3-2	13:43:23	40	\$0.385																													
3-3	13:47:55	10	\$0.3402																													
4	10/8/2015	NW	AGIS	11:30:52	SL	3,687	ATAX	11:34:50	4-1	11:30:52	1,800	\$5.39	11:30:52	11:34:50	0:03:58	Y	\$5.39	\$37.74														
4-2	11:34:50	1,887	\$5.37																													
5-1	11:39:34	100	\$21.67																													
5	10/8/2015	NW	AGIS	11:38:58	B	1,101	GBAB	11:44:08	5-2	11:39:34	214	\$21.67	11:38:58	11:44:08	0:05:10	Y	N/A	N/A														
									5-3	11:39:34	100	\$21.67																				
									5-4	11:40:07	100	\$21.67																				
									5-5	11:40:38	200	\$21.67																				
									5-6	11:41:23	100	\$21.67																				
									5-7	11:43:08	200	\$21.67																				
									5-8	11:44:08	87	\$21.67																				
									6-1	11:20:00	200	\$12.91																				
6	10/8/2015	NW	AGIS	11:19:54	B	1,050	MHI	11:46:19	6-2	11:20:05	200	\$12.92	11:19:54	11:46:19	0:26:25	Y	\$12.90	\$28.00														
									6-3	11:20:05	200	\$12.92																				
									6-4	11:20:11	200	\$12.94																				
									6-5	11:20:11	200	\$12.94																				
									6-6	11:46:19	50	\$12.94																				
									7-1	12:44:36	100	\$20.26																				
									7-2	13:15:11	100	\$20.28																				
7	10/8/2015	NW	AGIS	12:35:55	B	455	BBN	13:15:53	7-3	13:15:53	255	\$20.28	12:35:55	13:15:53	0:39:58	Y	\$20.25	\$11.65														
									8-1	13:37:14	100	\$25.59																				
									8-2	13:41:50	200	\$25.59																				
8	10/8/2015	NW	AGIS	13:31:20	B	378	NW.C	13:41:50	8-3	13:41:50	78	\$25.59	13:31:20	13:41:50	0:10:30	Y																
									9-1	13:47:04	100	\$26.08																				
									9-2	13:47:04	200	\$26.08																				
9	10/8/2015	NW	AGIS	13:46:15	B	371	BCS.C	13:49:22	9-3	13:49:22	71	\$26.0699	13:46:15	13:49:22	0:03:07	Y	\$26.03	\$17.83														
10-1	14:52:30	300	\$31.08																													
10-2	14:52:30	300	\$31.08																													
10	10/8/2015	NW	AGIS	14:51:46	SL	300	TWTR	14:52:30	17-1	11:29:26	1,000	\$12.33	14:51:45	14:52:30	0:00:45	Y	N/A	N/A														
11	10/23/2015	NW	AGIS	11:28:50	SL	1,000	RLYP	11:29:26	22-1	10:04:12	92	\$77.1099	11:28:50	11:29:26	0:00:36	Y	N/A	N/A														
12	10/27/2015	NW	AGIS	10:02:45	B	92	PG	10:04:12	30-1	15:31:13	200	\$25.63	10:02:45	10:04:12	0:01:27	Y	N/A	N/A														
13	10/27/2015	NW	AGIS	15:30:46	B	4,000	SAN.I	15:32:35	30-2	15:31:13	110	\$25.65	15:30:46	15:32:35	0:01:49	Y	\$25.64	\$125.92														
									30-3	15:31:13	100	\$25.65																				
									30-4	15:31:13	1,000	\$25.64																				
									30-5	15:31:24	599	\$25.66																				
									30-6	15:31:24	400	\$25.66																				
									30-7	15:31:24	300	\$25.66																				
									30-8	15:31:24	100	\$25.66																				
									30-9	15:32:35	100	\$25.75																				
									30-10	15:32:35	600	\$25.75																				
									30-11	15:32:35	100	\$25.76																				
									30-12	15:32:35	100	\$25.75																				
									30-13	15:32:35	100	\$25.76																				
									30-14	15:32:35	100	\$25.67																				
									30-15	15:32:35	91	\$25.75																				
14	11/24/2015	NW	AGIS	10:21:08	B	1,000	CGIX	10:21:39	35-1	10:21:39	100	\$3.33	10:21:08	10:21:39	0:00:31	Y	N/A	N/A														
									35-2	10:21:39	100	\$3.33																				
									35-3	10:21:39	100	\$3.33																				
									35-4	10:21:39	100	\$3.33																				
									35-5	10:21:39	100	\$3.33																				
									35-6	10:21:39	100	\$3.33																				
									35-7	10:21:39	400	\$3.33																				
15	11/24/2015	NW	AGIS	10:52:50	SL	815	PANW	10:53:52	36-1	10:53:52	815	\$183.11	10:52:50	10:53:52	0:01:02	Y	\$183.22	\$89.65														
16	11/24/2015	NW	AGIS	11:44:18	SL	900	BVXV	11:45:07	37-1	11:45:07	700	\$3.70	11:44:18	11:45:07	0:00:49	Y	N/A	N/A														
37-2	11:45:07	200	\$3.70																													
17	12/1/2015	NW	AGIS	13:09:59	SL	300	GDLB	13:11:12	41-1	13:11:12	300	\$50.43	13:09:59	13:11:12	0:01:13	Y	N/A	N/A														
42-1	12:16:24	400	\$0.68																													
42-2	12:16:28	1	\$0.64																													
18	12/8/2015	NW	AGIS	12:15:46	SL	3,500	EYEGW	12:16:47	42-3	12:16:28	799	\$0.5204	12:15:46	12:16:47	0:01:01	Y	\$0.68	\$20.79														
									42-4	12:16:28	100	\$0.60																				
									42-5	12:16:31	201	\$0.5204																				
									42-6	12:16:31	100	\$0.476																				
									42-7	12:16:31	699	\$0.5204																				
									42-8	12:16:35	301	\$0.5204																				
									42-9	12:16:35	100	\$0.476																				
									42-10	12:16:35	100	\$0.476																				
									42-11	12:16:35	100	\$0.476																				
									42-12	12:16:35	99	\$0.476																				
									42-13	12:16:35	100	\$0.476																				
									42-14	12:16:35	1	\$0.476																				
									42-15	12:16:35	100	\$0.476																				
									42-16	12:16:35	100	\$0.476																				
42-17	12:16:35	100	\$0.476																													
42-18	12:16:47	99	\$0.47																													
19	12/10/2015	NW	AGIS	9:57:44	SL	600	BVXVW	09:58:33	43-1	9:58:33	600	\$0.7112	09:57:44	09:58:33	0:00:49	Y	N/A	N/A														
20	12/15/2015	NW	AGIS	9:33:50	SL	500	VRX	09:35:16	44-1	9:35:16	500	\$107.13	09:33:50	09:35:16	0:01:26	Y	N/A	N/A														
45-1	13:19:50	100	\$3.07																													
21	12/22/2015	NW	AGIS	13:17:03	B	1,000	CGDX	13:19:50	45-2	13:19:50	100	\$3.07	13:17:03	13:19:50	0:02:47	Y	N/A	N/A														
									45-3	13:19:50	100	\$3.07																				
									45-4	13:19:50	700	\$3.07																				
									46-1	15:18:45	200	\$3.05																				
									46-2	15:18:45	100	\$3.05																				
22	12/22/2015	CR	AGIS	15:02:46	SL	3,500	EVOK	15:18:45	46-3	15:18:45	100	\$3.05	15:02:46	15:18:45	0:15:59	Y	\$3.10	\$261.72														
									46-4	15:18:45	200	\$3.05																				
									46-5	15:18:45	100	\$3.04																				
									46-6	15:18:45	200	\$3.03																				
									46-7	15:18:45	100	\$3.03																				
									46-8	15:18:45	100	\$3.03																				
									46-9	15:18:45	200	\$3.03																				
									46-10	15:18:45	100	\$3.03																				
									46-11	15:18:45	700	\$3.02																				
									46-12	15:18:45	200	\$3.02																				
									46-13	15:18:45	14	\$3.02																				
									46-14	15:18:45	100	\$3.04																				
									46-15	15:18:45	200	\$3.04																				
									46-16	15:18:45	100	\$3.03																				
									46-17	15:18:45	786	\$3.00																				
																						Total MOT Violations:			22							
																						Total Restitution:			\$620.30							